

Risk Factors

At the PERSOL Group (hereinafter "the Group"), we position risk management activities as essential for keeping losses and damages to a minimum when risks materialize as well as for maintaining and improving the Group's corporate value. Based on this policy, we have established the Group Risk Management Regulations to identify risks that interfere with the implementation of business strategies and to control risks by taking suitable measures. We have also established the Group Crisis Management Regulations to respond promptly and appropriately when risks materialize.

(1) Risk Management System and Process

(i) Risk Management Committee

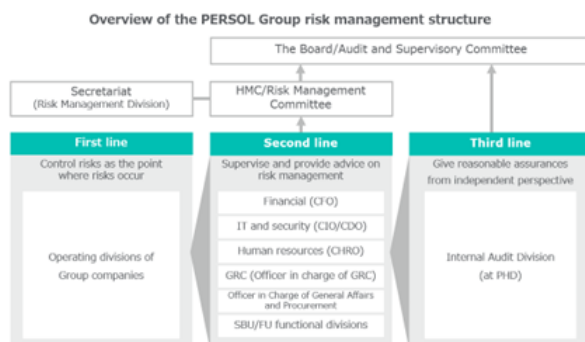
The Group established the Risk Management Committee as a cross-group organization that complements and strengthens the functions of the HMC (Headquarters Management Committee) of PERSOL HOLDINGS. The committee is convened every quarter with members including the Representative Director, President and CEO and other executives and Internal Control Implementation Managers. The committee discusses the Group Significant Risks, which will be described below, as its agenda. Its activities also include the monitoring of the status of risk management at the functional divisions of PERSOL HOLDINGS, the Function Unit (FU), and the Strategic Business Units (SBUs). In addition, the status of the activities of the committee is reported to the Board of Directors.

(ii) Risk Management System

The Group has built a risk management system based on the three lines of defense model and the status of risk management by the Second Line is reported to the Group risk management division within PERSOL HOLDINGS and the Risk Management Committee.

- First Line (Group companies): At the point where risks occur; executes risk management in business activities and daily activities.
- Second Line (Administrative Division): Monitors and supports the risk management activities of each Group company.
- Third Line (Internal Audit Division): Provides reasonable assurance regarding the effectiveness of risk management independently from the First and Second Lines.

Risk Management Structure of the Group Significant Risks



※PHD=PERSOL HOLDINGS CO., LTD., HMC=Headquarters Management Committee, CFO=Chief Financial Officer, CIO=Chief Information Officer, CDO=Chief Digital Officer, CHRO=Chief Human Resources Officer,

GRC=Governance, Risk and Compliance, SBU=Strategic Business Unit, FU=Function Unit

In addition, depending on the natures of risks, the division of roles between PERSOL HOLDINGS and the SBUs/FU is as follows.

- Group-wide risk: Each functional division of PERSOL HOLDINGS manages the risk across the Group (mainly operational risks) for effective group-wide risk measures.
- SBU-/FU-specific risks: For risks based on SBU-/FU-specific business and regional characteristics, a risk management representative (=SBU/FU Internal Control Implementation Manager) is assigned in each SBU/FU to autonomously manage risks within each SBU/FU.

(iii) Management Process for Group Significant Risks

Among the Group's risks, those which are deemed particularly significant in light of the Group's management situation and corporate strategies are selected as the Group Significant Risks. The purpose of selecting Group Significant Risks is to make measures to address these risks a management issue and to allocate management resources to them as a priority. For the selected Group Significant Risks, officers of PERSOL HOLDINGS are designated as risk owners (those who assume final accountability for the risks) to address these risks more effectively. On the selection of Group Significant Risks, a decision is made based mainly on an evaluation from the viewpoint of "degree of impact" and "probability of occurrence", with weaknesses of risk control measures (vulnerabilities) and social expectation and concern also taken into consideration.

Degree of influence

| Level | Definition | Evaluation criteria (examples) | | |
|--------|-----------------|---|---|---|
| | | Economic loss | Business continuity | Reputation |
| Large | Serious impact | <ul style="list-style-type: none"> • Large losses affecting the whole Group • Impact lasting several fiscal years | <ul style="list-style-type: none"> • Revocation of business license, order for abolition of business operation or order for suspension of business operation • Imposition of long-term business suspension | <ul style="list-style-type: none"> • Major long-term loss of trust (lasting several years) |
| Medium | Moderate impact | <ul style="list-style-type: none"> • Impact on single fiscal year business results | <ul style="list-style-type: none"> • Issuance of business improvement order or temporary business suspension order by the regulatory authorities | <ul style="list-style-type: none"> • Short term/temporary loss of trust (lasting not more than one year) |
| Small | Limited impact | <ul style="list-style-type: none"> • Limited impact which takes less than a fiscal year to recover from | <ul style="list-style-type: none"> • Issuance of administrative guidance, recommendation or warning by the regulatory authorities • Occurrence of a matter which must be reported to the regulatory authorities | <ul style="list-style-type: none"> • No trust is lost |

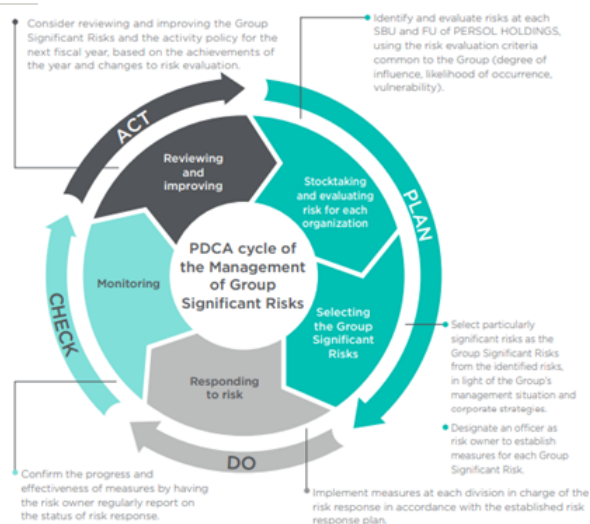
Likelihood of occurrence

| Level | Definition |
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| High | Occurs frequently (at least once a year) |
| Medium | Occurs sometimes (around once every two or three years) |

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| Low | Occurs infrequently (less than once every three to five years) |
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In addition, we implement a PDCA cycle in which the Risk Management Committee puts the discussion of these risks on its agenda, confirms the progress on and effects of measures to address the risks, and considers improvements and revisions annually. This framework allows for continuous improvement.

The Management Process for the Group Significant Risks



(2) Significant Risks that May Impact the Group's Operating Results, etc.

Following a revision to Group Significant Risks in February 2024, the Group selected the following seven Group Significant Risks for the fiscal year ending March 2025, which are the same as those for the fiscal year ended March 2024: "IT-related risk (including personal information leaks and system failure)," "Risks associated with investment for company acquisition," "Privacy infringement risk," "Business continuity risk in an emergency such as a natural disasters," "Risks associated with human rights violations," "Risks associated with macro-economic changes due to business fluctuations," and "Risks associated with climate change." In the fiscal year ending March 2025, we will continue to address risks with a focus on these significant risks and perform monitoring on a regular basis.

The major risks that may affect the Group's operating results and financial position, including the seven Group Significant Risks listed above, are listed in the table below. The risks that our management recognizes as having a significant impact on our group's financial position, operating results, and cash flow position are listed in order of importance based on the probability of occurrence and the degree of impact on our business. The Group's policy is to recognize the possibility of the occurrence of these risks, avoid their occurrence, and respond to them if they do occur. Forward-looking statements in this document are based on the judgment of the Group as of the date of submission of the Annual Securities Report, and the following descriptions do not cover all the risks associated with investment in the Company's stocks.

List of Major Risks

| Importance level | Name of risk | Significant Group risks |
|------------------|---|-------------------------|
| (1) | IT-related risk (including personal information leaks and system failure) | ●(continuation) |
| (2) | Risks associated with investment for company acquisition | ●(continuation) |
| (3) | Privacy infringement risk | ●(continuation) |
| (4) | Business continuity risk in emergency such as natural disasters | ●(continuation) |

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|------|--|-----------------|
| (5) | Risks associated with human rights violations | ●(continuation) |
| (6) | Risks associated with macro-economic changes due to business fluctuations | ●(continuation) |
| (7) | Risks associated with climate change | ●(continuation) |
| (8) | Risks associated with technical innovation | |
| (9) | Risks associated with compliance including observation of laws and regulations | |
| (10) | Risks in developing and securing human resources | |
| (11) | Risks associated with overseas business expansion | |
| (12) | Risks associated with competition | |

(1) IT-related risk (including personal information leaks and system failure)

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| Group Significant Risks | IT-related risk (including personal information leaks and system failure) |
| Risk Owner | CIO/CDO |
| Residual Risks | <p>a. Personal information leaks Impact: Large, Likelihood of occurrence: High</p> <p>b. System failure Impact: Large, Likelihood of occurrence: Medium</p> |
| Risk perception | <p>a. Personal information leaks The Group possesses and handles a large amount of personal information of registered staff, temporary staff, job seekers, client companies, employees, and other related parties, and if such personal information leaks out due to security breaches by third parties in cyberattacks or the like, inappropriate system settings or management, employees' misconduct or negligence or the like, the Group's brand would be damaged, the number of customers and service users would decrease resulting from a loss of public trust such as deterioration of corporate image, and claims for damage compensation would be raised, with the result that its business operations as well as its financial position and operating results may potentially be affected significantly.</p> <p>b. System failure The Group's businesses, both in Japan and abroad, are becoming more IT-dependent, relying more greatly on computer systems and their networks, and the Group recognizes that the importance of this risk has increased even more partly due to more widespread teleworking within the Group in recent years. In addition, part of system maintenance work and the like is contracted out to outside companies, including cloud system operators. If human errors, cyberattacks, wide-ranging natural disasters, or troubles at third-party suppliers prevent the use of computer systems and communication networks, the Group's operations and services may be delayed or suspended, and such situation could lead to a loss of confidence in the Group and may potentially have a substantial impact on our business operations, as well as significant impact on our financial position and operating results.</p> |
| Status of risk measures | <p>For both risks, we strive to establish and maintain a timely and appropriate management system from multiple perspectives, including the technical and human aspects of IT. Examples of specific countermeasures include the following.</p> <p>a. Personal information leaks</p> <ul style="list-style-type: none"> • Implement security measures for the Group's networks and systems • Strengthening of the Group's security incident response capabilities through the establishment of the Group's CSIRT |

(PERSOL-SIRT)

- Conduct security training for employees and targeted e-mail drills
- Establishment of rules and regulations concerning information security and handling of personal information common to the Group
- Establish a system in which a specialized department conducts a privacy review process when launching new services or using new personal data.
- Inspect the IT environment and the security status of each Group company, centered on the Group's security control division.
- Check the security level of external services and contractors (at the time of contract and periodic inspections).

b. System Failure

- Establishment of a system and reporting flow in case of system failure
- Enhancement of system security
- Review, repair, and construction of IT environment to improve fault-tolerance

(2) Risks associated with investment for company acquisition

| Group Significant Risks | Risks associated with investment for company acquisition |
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| Risk Owner | CFO |
| Residual Risks | Impact: Large, Likelihood of occurrence: High |
| Risk perception | <p>The Group and the industries in which we operate have expanded businesses through acquisitions and business alliances in addition to organic growth. We will continue to expand the scale of our business through acquisitions and other means, and will further enhance our corporate value and secure a competitive advantage through acquisitions aimed at incorporating new technologies such as IT. Full due diligence is performed on the financial details, contractual arrangements, and the like of target companies for acquisition and business alliance in order to mitigate risks. However, if sufficient due diligence cannot be performed due to the nature of the opportunity or limited time available, and incidental liabilities arise or unknown obligations come to light after acquisition, or the relevant business deviates greatly from the original earnings plans, it may potentially be necessary to invest a large amount of fund, and the Group's business development and operating results may potentially be affected by the reappraisal of affiliated companies' shares or goodwill impairment losses. Goodwill acquired through company acquisition was worth 59,019 million yen as of the end of the fiscal year ended in March 2024, of which large portions were made up by Asia Pacific SBU and Career SBU.</p> <p>The Group has been disclosing information in accordance with IFRSs since the first quarter of the fiscal year ended March 31, 2024. Under IFRS, goodwill is not amortized, but impairment losses may be recognized earlier than under Japanese GAAP, and the amount of impairment losses recognized at one time may be larger than under Japanese GAAP, due to the difference in the method of determining impairment.</p> <p>The Group considers that each of its acquired companies will exhibit its brand power and compatibility with the Group which will potentially create extremely beneficial business synergies. However, if their business results do not progress as anticipated in the future due to the significant changes in the business environment and situations, technological innovation, or for some other reason, additional impairment losses may be incurred for these assets, which may potentially impact the financial position and operating results of the Group.</p> |

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| Status of risk measures | With an emphasis on capital efficiency, the Group has strengthened the governance structure in relation to business investment projects. As a new reinforcement to its governance structure, the Group established the Investment Committee in April 2020. This committee gives an advice to the management team about large business investment projects after deliberating on them from a professional perspective. The purpose of the Investment Committee is to deliberate over important issues with regard to the Group's investments in general and to transform various knowledge and insight regarding promotion of investments into the Group's organizational knowledge. The Investment Committee presents the results of its deliberation to the Headquarters Management Committee (HMC), serving as a supplementary organization to ensure right decision making by HMC. |
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(3) Privacy infringement risk

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| Group Significant Risks | Privacy infringement risk |
| Risk Owner | CIO/CDO |
| Residual Risks | Impact: Large, Likelihood of occurrence: Medium |
| Risk perception | <p>In the business operations, the Group companies possess and handle a large amount of personal information regarding the registered staffs, temporary staffs, job seekers, client companies, employees, and other related parties.</p> <p>While the utilization of personal data is expected to be promoted from the perspective of improving the convenience of services and the growth strategy of the PERSOL Group, there is a risk that the development of IT, including artificial intelligence (AI), may cause some disadvantages to the data providers themselves.</p> <p>The handling of personal information in the possession of the Group is governed by the personal information laws of the relevant countries. In Japan, a country where its core businesses are pursued, the information needs to be handled in compliance with the Act on the Protection of Personal Information, the Employment Security Act, the Act on Securing the Proper Operation of Worker Dispatching Businesses and Protecting Dispatched Workers (hereinafter "Temp Worker Act"), and the like. These laws and regulations have become increasingly sophisticated as a result of recent growth in concerns about the protection of personal information and privacy rights, and efforts to bring them into alignment with global standards. The Group carefully examines and determines their interpretation and application from the viewpoint of both legal compliance and information security. However, the practical requirements under these laws and regulations are open to interpretation and, depending on the Group's interpretation, the Group's handling of personal information could inadvertently be deemed inappropriate, leading to the Group potentially receiving business suspension orders from the authorities or potentially being sued by the individual or corporate providers of the personal information.</p> <p>Further, even legally compliant use may result in a disadvantage to, or a sense of distrust held by, the person who provided the data. In particular, a failure to ensure appropriate handling, such as securing impartiality and fairness, in the use of AI for profiling or matching and in the use of rapidly evolving generative AI may tarnish the Group's brand and corporate image and may damage confidence in the Group. This may have a significant impact on business operations. At the same time, it may greatly affect the Group's financial position and operating results.</p> |
| Status of risk measures | The Group Privacy Governance Council has been established to deliberate on privacy risks associated with |

the personal data utilization of the overall Group. Thus, the Group has built a privacy governance structure, which supports the consistent Group-wide utilization of personal data. When launching new services or utilizing personal data for the first time, the Group endeavors to earn the trust of users and others by establishing a structure that involves a privacy review process carried out by a dedicated department, fully examining possible effects on the person who provided data in advance, and taking appropriate countermeasures. Regarding the use of AI for profiling and the matching and utilization of generative AI, the Group has established guidelines for facilitating an appropriate privacy review.

In March 2023, we established the “Personal Data Guideline,” which outlines the basic privacy policy of the Group. These guidelines, along with our privacy protection system and initiatives, are available on our “Privacy Center,” which introduces our Group's initiatives, and we are strengthening information disclosure to ensure that our customers can use our Group's services with confidence.

(4)Business continuity risk in emergency such as natural disasters

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| Group Significant Risks | Business continuity risk in emergency such as natural disasters |
| Risk Owner | Officer in charge of GRC |
| Residual Risks | Impact: Large, Likelihood of occurrence: Medium |
| Risk perception | <p>The Group engages in business activities in Japan and the Asia-Pacific (APAC) region. In the event that a natural disaster (earthquake, typhoon, flood etc.), fire, power-outage, war or terrorist act occurs and the Group's employees are endangered or the Group's corporate assets are damaged, or in the event that a pandemic occurs and many employees are infected and business operations are restricted due to restrictions on activities, the Group's business may be temporarily interrupted, the Group's business operation, financial position and operating results may be affected. Furthermore, as part of the qualitative aspect involved in the HR services, it is conceivable that there may be a substantial burden of tasks to respond to clients in emergency situations (confirming safety of temporary staffs, as well as reorganizing contract arrangements with client companies, etc.). In turn, this may potentially have an impact on the Group's business operations, as well as a significant impact on financial position and operating results.</p> <p>In addition, the risk of natural disasters has been increasing in scale of damage year by year, and it has become necessary to assume that more and more disasters may occur simultaneously.</p> |
| Status of risk measures | <p>In response to these risks, the Group has established a department to oversee crisis management at Persol Holdings and has built a structure in Japan and the APAC region to take appropriate measures in an emergency based on its fundamental policies: (1) securing the safety of employees and temporary staff, (2) protecting clients' assets and corporate assets, (3) business continuity, and (4) stakeholder communication.</p> <p>In Japan, positioning the payment of salaries to employees and temporary staff, which is fundamental to HR service business, as the most important task of the Group, the Group has established a business continuity plan to continue paying its employees and temporary staff to maintain their livelihoods even in the event of a large-scale natural disaster or pandemic. At the same time, the Group is also developing systems and plans to respond promptly to crises in a Group-wide manner. It also endeavors to provide training regularly to improve its crisis response capability. To enable a prompt, efficient initial response,</p> |

the Group has introduced an IT tool that automatically collects information from facilities in the affected area as well as information on the safety of employees, among other information.

In addition, in the APAC region, the Group takes steps to protect the safety and health of its local employees, including overseas representatives from Japan, at times on political or social unrest, war, acts of terrorism or other emergency. For instance, it introduces safety measures and provides training and medical support, as well as establishes rules for confirming safety in an emergency. The Group also enhances its initiatives by reviewing its business continuity plan and providing training on a regular basis.

(5)Risks associated with human rights violations

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| Group Significant Risks | Risks associated with human rights violations |
| Risk Owner | Officer in charge of GRC |
| Residual Risks | Impact: Large,Likelihood of occurrence: Medium |
| Risk perception | <p>The Group has business units in Japan and in the APAC region and the people it deals with including client companies and job seekers are spread across many countries. In recent years, interest in Business and Human Rights is increasing, especially in developed countries. The demands by stakeholder for a high level of response to human rights are also having a considerable impact on the Group's business activities.</p> <p>Respect for human rights is essential to the realization of the Group's vision, "Work and Smile."</p> <p>However, in the event that the Group finds itself in a situation that falls under a human rights violation, administrative penalties in the relevant countries and damage to the Group's social credibility and brand image could affect the Group's business operations and have a significant impact on its financial position and operating results.</p> |
| Status of risk measures | <p>The Group has been making efforts such as establishing the PERSOL Group Code of Conduct, and in December 2022, the Group established the "PERSOL Group Human Rights Policy" with the approval of the Board of Directors. In addition, in April 2023, we began operating human rights due diligence in selected businesses and started training for the Group employees on human rights. In addition to continuing to implement these initiatives, we will promote efforts to further improve our systems by expanding and upgrading human rights due diligence and establishing redress mechanisms.</p> |

(6)Risks associated with macro-economic changes due to business fluctuations

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| Group Significant Risks | Risks associated with macro-economic changes due to business fluctuations |
| Risk Owner | CFO |
| Residual Risks | Impact: Large,Likelihood of occurrence: Medium |
| Risk perception | <p>HR services provided by the Group have been driven by structural factors in Japan (declining birthrate, decreasing workforce, structural changes in the labor market, etc.). At the same time, the HR services are susceptible to economic fluctuations, and if such macro-economic changes are not handled successfully, the Group's financial position and operating results could be affected significantly. With the progress of globalization, the economy of each country where we are doing business tends to be increasingly influenced by other countries' economic conditions,</p> |

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| | <p>international politics, geopolitical conditions, international financial markets, and the like. In fact, we were confronted with hardly foreseeable events such as the world financial crisis in 2008, the outbreak of COVID-19 pandemic since the beginning of 2020, and geopolitical conditions which led to the quick shrinking of economic activities around the world. If a serious economic crisis like the world financial crisis in 2008 happens, the Group's financial position and operating results may potentially be affected significantly. In particular, the below shows those which may affect the Group's earnings in order of degree of impact in a depression.</p> <p>-Placement business</p> <ul style="list-style-type: none"> ▸ Possible situations *Decrease in the number of successfully placed candidates due to client companies' cutbacks in employment *Longer lead times to formal job offer notification <ul style="list-style-type: none"> ▸ Degree of impact *Business sensitivity is the highest. *Sales and profitability declines <ul style="list-style-type: none"> ▸ Major applicable segments (As of the date of the document submission) <p>Career SBU, Asia Pacific SBU</p> <p>-Job advertising business</p> <ul style="list-style-type: none"> ▸ Possible situations *Reduction of recruiting budgets among companies; decrease in the number of job advertisements due to cutbacks in recruiting activities *Decline of advertisement unit rates due to harsh competition <ul style="list-style-type: none"> ▸ Degree of impact *Business sensitivity is high. *Sales and profitability declines. <ul style="list-style-type: none"> ▸ Major applicable segments (As of the date of the document submission) <p>Career SBU</p> <p>-Temporary staffing and outsourcing businesses</p> <ul style="list-style-type: none"> ▸ Possible situations *Decrease in the number of temporary staffing contracts due to client companies' cutbacks on labor costs in general *Termination of temporary staffing contracts due to client companies' shutdowns and the like *Considerable sales decrease due to the worsening of large client companies' business results *Decrease in the number and size of contracts in businesses using regular employees, such as outsourcing and temporary staffing *Cancellation of projects due to client companies' cost reduction; and decrease in outsourced projects due to budget cuts <ul style="list-style-type: none"> ▸ Degree of impact *Business sensitivity is relatively low and lagging. *Sales and profitability declines. <ul style="list-style-type: none"> ▸ Major applicable segments (As of the date of the document submission) <p>Staffing SBU, Technology SBU, BPO SBU, Asia Pacific SBU</p> |
| Status of risk measures | <p>For fluctuations in ordinary economic cycles, from the beginning of each fiscal year, the Group prepares a scenario to follow in the event of an economic downturn. Then, the Group manages costs and takes other management steps to strive to limit the impact of the downturn on the Company's operating results. In response to such macroeconomic impacts, the Group continuously invests in growing business areas and strives for expansion and growth in new business domains, including efforts to roll out new services and provide added value using IT.</p> |

(7) Risks associated with climate change

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|-------------------------|---|
| Group Significant Risks | Risks associated with climate change |
| Risk Owner | Officer in charge of General Affairs and Purchasing |
| Residual Risks | Impact: Large, Likelihood of occurrence: Medium |
| Risk perception | <p>On the global issue of climate change, the Group supported the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and has been making disclosures based on scenario analysis to identify climate change-related business risks and opportunities since May 2022.</p> <p>To gain a concrete understanding of the business impacts of climate change and climate-related risks and opportunities, the Group has conducted an analysis using the 4°C scenario (a world with more frequent and severe natural disasters due to climate change) and the 1.5-2°C scenario (a world with rapid rates of decarbonization) published by external organizations such as the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) as benchmarks.</p> <p>At the Group, we have set the target of becoming carbon neutral, in other words, achieving net zero greenhouse gas emissions associated with business activities, by FY2030. Any delay in the implementation of climate change initiatives or violation of environmental laws and regulations could lead to a loss of confidence in the Group, seriously impacting its business operations and could also affect the Group's financial position and operating results.</p> |
| Status of risk measures | Overall Group policies and measures for addressing this risk are managed as part of the sustainability materiality process. Please also refer to 2. Approach to Sustainability and Sustainability Initiatives, (2) Matters related to Materiality, (3) Action on climate change. |

Other Major Risks Affecting the Group's Operating Results, etc.

(8) Risks associated with technical innovation

For the HR services conducted by the Group, the use of IT is indispensable. The Group uses IT to develop new services and improve operation systems. However, if we cannot secure or train engineers or planners with high expertise, the Group may not be able to make accurate forecasts of technological innovation trends or make timely decisions regarding the application of new technologies, which may potentially lead to its competitiveness declining or its existing business models themselves becoming obsolete. If the improvements and the introduction of new IT requires a large amount of expenses or, for some reason, the expected effects are not derived from the introduction, or new products and services embodying never-heard-before ideas, which are called disruptive technologies, quickly achieve widespread use around the world and destroy existing markets, this may potentially have an impact not only on the Group's business operations but also on its financial position and operating results.

Moreover, AI technologies are expanding rapidly in recent years, and the introduction of generative AI using these technologies is attracting attention. Generative AI is a technology that enables improvements in business efficiency and productivity. The Group provides services including the dispatch of human resources with skills in AI or generative AI, support for their introduction, and related training, and rolls out services to cater to new corporate demand. However, a failure to secure or train engineers and planners with a high level of expertise in technological innovation could have an impact on the Group's business operations and could also affect its financial position and operating results. If the improvements and the introduction of AI or generative AI require a large amount of expenses, or if for some reason it is difficult to secure the originally planned quality of service, or if expected effects are not derived from the introduction, this may potentially have an impact not only on the Group's business operations but also on its financial position and operating results. In addition, depending on trends in the use of generative AI by other companies, there may occur disruptors (destructive innovators) that make existing businesses themselves obsolete. For example, generative AI could be an alternative to clerical and administrative staffing services and business process outsourcing services, and in job placement services, business models involving no human intervention could be possible.

(9) Risks associated with compliance including observation of laws and regulations

For the Group, it is a matter of course that it must comply with the laws of those countries and regions where it engages in business. In particular, as an HR service provider, the Group places emphasis on complying with labor related laws and regulations. The Group defines “compliance” not narrowly as compliance with laws and regulations, but more broadly as “meeting the demands and expectations of society and conducting business activities with integrity”. To achieve this, the Group established the PERSOL GROUP Code of Conduct, and directors and employees of the Group are required to act with fairness, honesty, respect and integrity.

The Group established Compliance Control Department at the time of expanding business and built a compliance system, including preparation of the Group’s compliance-related regulations, providing education/training sessions continuously, and setting an internal whistle-blowing system in the Group. However, in the event of a violation of any law or regulation applicable to the Group, or a failure to meet requests and expectations from society, this would damage the Group’s social credibility or brand image and would likely have an impact on the Group’s financial position and operating results. Possible risks are listed in a, b and c below.

a. Temporary staffing business

In Japan, the temporary staffing business, a mainstay of the Group, is conducted under worker dispatching permits under the Temp Worker Act. The Group’s understanding is that based on Temp Worker Act, there are no material facts that would give rise to revoking its worker dispatching permits at the moment. However, if in future due to some sort of reason or other one of the Group companies, or an officer/employee of the Group contravenes Temp Worker Act, it is assumed that the Group’s principal business activity may potentially be disrupted in general, which in turn could potentially have a major impact on the Group’s financial position and operating results. Furthermore, in response to changes in Japan’s working environment to date, apt amendments have taken place in respect to Temp Worker Act and various related laws. The Group for its part, adopts a range of measures to address such amendments to various laws whenever they occur. In cases where further amendments take place that lead to major operational changes arising, the future policy of business operation of the Group along with operating results may potentially be affected to no small extent.

b. Placement business and job advertising business

The Group’s placement business and job advertising business in Japan are conducted under permits to engage in the fee-charging job placement business or a notification as a business providing recruiting information under Japan’s Employment Security Act. The Group is currently not aware of any fact that constitutes grounds for revocation of its permit to engage in the fee-charging job placement business under Japan’s Employment Security Act. However, if in the future due to some sort of reason or other one of the Group companies, or an officer/employee of the Group contravenes Employment Security Act, it is assumed that the Group’s principal business activity may potentially be disrupted in general, which in turn could potentially have a major impact on the Group’s financial position and operating results. Employment Security Act and related laws and regulations have been revised in the past in accordance with changes in the labor environment and mostly recently, in March 2022, there was a change in the law consisting of the establishment of a registration system for business providing recruiting information, which is a part of job advertising business. Whenever the law changes, the Group adopts various measures to comply with such changes in the law. In the event that further revisions are made in the future, resulting in major changes to operations, this could have a considerable impact on the Group’s business operating policies and operating results in the future.

c. Outsourcing business

The Group’s outsourcing business covers a wide range of sectors spanning business consulting of clerical work and the like, business operation and management, and manufacturing and development in the IT and engineering sectors. The Group receives outsourcing business orders from a wide range of clients including government offices, local public authorities, and private sector companies. Satisfying the requirements of clients is the top priority in performing the business. In the case of business projects received from government offices or local public authorities, in particular, the success or not of the project may also have a significant impact on Japanese society or a local community. The Group conducts an assessment of a project before deciding whether to accept it or not, and when accepted, strives to fulfill or operate the business project in a proper manner. In the event, however, of a failure to fulfill or operate properly any outsourcing business of public nature, in particular, it would damage the Group’s social credibility or brand image and it could have an impact on the Group’s operating results.

(10) Risks in developing and securing human resources

For the implementation of the Group's medium- to long-term strategies and its sustainable growth, developing and securing various types of human resources in various areas is indispensable. In order to realize the Group's vision "Work and Smile," the Group endeavors to create good workplaces where all employees of the Group can have job satisfaction and a sense of attachment to their organizations. However, human resources who meet the requirements in some areas, such as IT engineers, digital transformation promotion specialists, globally oriented personnel, and other human resources who will be drivers of the Group's future growth, are very rare assets in the market, too, and it is possible that the Group cannot secure these personnel as expected. If it is difficult for the Group to create ideal working environments, it may potentially be unable to develop excellent human resources as expected, or there may be an exodus to competitors, etc., and the Group may not conduct business operations as planned, and it could have an impact on the Group's financial position and operating results.

The Group's overall policies and measures regarding such risks are included in the materiality of sustainability. Please refer to "2. Sustainability Policy and Initiatives (2) Human Capital".

(11) Risks associated with overseas business expansion

The Group provides HR services, including temporary staffing, placement, and outsourcing business, in the APAC region as well as Japan. Expansion of the business overseas has been accompanied with strengthening support structures and management control functions. However, due to sudden changes in political/social situations in each country of APAC region, amendments to laws, unanticipated foreign currency fluctuations etc., and significant swings in business environments etc., if the Group fails to solidly entrench competitive advantage in the region, it could have an impact on the Group's financial position and operating results.

(12) Risks associated with competition

In the HR business market where the Group is active, there are many competitors in every sector in every country. If these competitors offer similar levels of services as the Group's at lower prices, or they succeed in providing client companies with processes and mechanisms which do not require the Group's services or in making such processes and mechanisms permeate and spread through society, or they offer more attractive services to individual job seekers and client companies, or the Group fails to implement service and function improvements in response to the needs, it may potentially lead to declines in the Group's competitiveness and an impact on its financial position and operating results. In order to attract temporary staffs, job seekers, and other individuals, the Group places job advertisements using search engines and the like operated by other companies in some cases. If the providers of such platforms increase their ability to attract these individuals in the job advertising industry and establish monopolistic positions, it may potentially have an impact on the Group's ability to attract clients and its financial position and operating results.