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## Question and answer session: Background and factors behind the decrease in profit despite the increase in sales

**Question 1:** In the last part of your explanation, you mentioned that while sales increased, profits decreased. To put this in perspective, does this mean that the profit did not turn out as you had expected, because you ventured to hire more people in spite of the fact that the operating hours per employee were more difficult than originally planned? Am I correct in understanding that this was the reason for the decrease in profits in the automobiles-related industry?

In other words, how should I understand the fact that the top line was increased? I would also like to know the part of the increase in net sales compared to the initial plan.

**Shimizu:** First of all, basically, we were able to increase top-line sales from the first quarter considerably ahead of the original plan, so the increase is a product of that. The month that has been most affected is September. The sales per capita of the 3,250 or so people in the account companies I mentioned earlier were lower than normal last year, at over 120,000 yen per person, and as a result, sales were also lower.

However, with this in mind, we are increasing the number of personnel, and we are also making compensation for salaries in order to retain the staff that are currently enrolled. Clients also pay compensation for part of the salaries, but unfortunately, rather than leaving it in profit of those expenses, we added our expenses there, and have been working to suppress turnover.

This affected us slightly in August, but it was still the single month of September that was greatly affected. As a result, as I mentioned earlier, although profits are down, the number of enrolled staff grew faster than originally planned and has been growing speedily since the first quarter. Although sales per capita are low, the number of staff has more than compensated for this, resulting in an increase in revenue.

**Question 1:** Which fields would you say is more important, the automobiles, electronic components or semiconductors?

**Shimizu:** It is most likely the automobiles field. I have checked all the other industries, and there were no delays compared to last year. However, in the area that is not visible to the naked eye, although it is not as clear as it is in the automobiles field, due to the shortage of semiconductor procurement, there may be industries that are growing more as a result of extra-time hours. As of now, we have not been able to capture that much either.

**Question 1:** If that is the case, is it correct to say that the results for all fields except for automobiles are almost as you had originally expected?

**Shimizu:** You are right.

## **Question and answer session: Outlook for final results and targets for new businesses**

**Question 2:** Earlier, you said that if the situation continues to be one where production levels, especially at the largest automobiles manufacturers, come all the way back up in December and January, I heard that it would be much higher than the current downward revisions.

If that were to happen, you talked about investing various expenses upfront in order to make a final jump up toward the final goal of the medium-term management plan. If it looks like you are going to go above 2.4 billion yen in operating profit, do you plan to look ahead and make a complete turnaround this fiscal year and spend money on various expenses upfront?

Since you have revised it once now, if it looks like you are going to go up toward the original 3 billion yen, will you aim for financial results that will make profits in a natural manner, or what is your approach to financial results?

My other question is about your target of 500 million yen for new businesses during this fiscal year. Earlier, you explained that you have created a prototype for an AI solution service and that sales will start to rise from the second half. As a result, can you confirm whether or not you think you will be able to clear the 500 million yen target?

**Shimizu:** Regarding your first question, we have revised our operating profit by 600 million yen for the current fiscal year, but in fact, we have not dropped any investments that would originally lead to the next fiscal year. Earlier, I mentioned the part that will exceed 4 billion yen in the next fiscal year, but if, for example, February and March are at the same level as December and January, we will probably have an unprecedented profit structure. I think that part of the financial results will be based on the current base and profits at the end of the fiscal year.

There is also a question of how we read it, but is not good to accumulate it with wishful thinking without being able to get information from our clients. Since we have written about February and March as being at normal levels, my forecast is that we will not fall below these levels.

As for new businesses, in addition to AI and annotation, there is also HR Tech, which is flourishing in the US. We have already started some trials using HR Tech in our existing business areas. We will firmly verify these trials, and make external sales of this service afterwards. To be frank, the time frame for recording sales of new businesses may shift.

However, as I mentioned before when I talked about this plan, our main focus is to create a business that will generate 1.8 billion yen in profit from these new businesses, from their third year. It is quite possible that we will try a few of them and do better than planned, but since the scale of sales can be scaled up in any way by adopting a business model, we will make sure to create a business that will generate profits of at least 1.8 billion yen in the third year. I hope you are able to understand that we are not really concerned about whether or not we will reach 500 million yen in the current fiscal year.

## **Question and answer session: Number of staff hired in the second quarter and planned level of hiring pace in the future**

**Moderator:** The question is 'Please tell us about the number of hires you made in the second quarter and the planned level of the pace of hiring in the future.'

**Shimizu:** Regarding our hiring situation, our business plan for this year has very different approaches for the first half and for the second half. In the second half, we started the promotion of our own website from October 1st. One of our ideas for this fiscal year was to spend 300 million yen for promotion in the first half of the year, to make the inflow from our website exceed 60% of the current level, and to hire 1,000 staff.

On the other hand, in the first half of the year, there were about 750 staff, which was 75% of the number of staff that we originally planned to hire. Unfortunately, in August alone, due to the expansion of the COVID-19 pandemic and the Obon holidays, although the number of staff dropped to about 650, in the other months, we were able to achieve the hiring of about 750 staff.

Just looking at the current situation in November, we are finally seeing the effects of our promotions and are probably in a position to hire close to 900 staff or more.