

Q&A Summary from the Analyst & Individual Investor Joint Briefing for FYE2023 1st Half Financial Results

This is a summary of the question-and-answer session from the analyst and individual investor joint briefing about our financial results for the 1st half of FYE2023 that was held on November 17, 2022. To make it easier to understand, we have changed, revised, and amended the summary of the question-and-answer session.

Q: Recruiting costs per technical employee have increased YoY, but will it continue to increase in the future?

A: In the past, recruiting activities were done based on recruiting costs per technical employee of ¥200,000, but in an environment where there is intense competition to recruit, we revised our recruiting standards with the aim of getting excellent human resources. However, in the first half of this fiscal year, the reason for the higher-than-expected increase in recruiting costs per technical employee to ¥450,000 is not only due to external factors, but internal factors such as the inefficiency of our recruiting process that also played a large role. In the second half, we will further promote recruitment reforms, improve the applicant-to-hire ratio, and control recruiting costs per technical employee. Recruiting costs will increase as the number of those employed increases, but we will implement efficient recruiting activities while managing recruiting costs per technical employee.

Q: Will there be any revisions to the profit plan due to the increase in the recruiting costs?

A: In the second half we are not thinking of putting additional money into recruiting costs more than is planned in a situation where the recruiting process has not been improved. If the applicant-to-hire ratio can be improved and we can expect excess profits due to higher sales or the containing of recruiting costs, using the excess amount as a source of funds, we will consider spending more money on recruiting costs to significantly grow our business results from the next fiscal year onwards.

Q: In an environment where it is difficult to get human resources, is there any change in the quality of human resources that are recruited?

A: We recruit based on our company's standards, and have been able to get high-quality human resources. Conversely, in the first half of this fiscal year, the number of rejections increased because the perspective of those recruiting was too high, and as a result the applicant-to-hire ratio dropped. In the second half, based on certain standards, we will increase the number employed while ensuring the quality of our human resources.

Q: What kind of performance plan do you have in mind for FYE2024?

A: During the period of the Medium-Term Management Plan, the company plans to maintain an average annual sales growth rate of about 20%. We intend to raise the top line through sales and recruitment reforms that we are currently promoting. We also want to boost both sales and profits by eliminating wasteful expenses and making necessary investments in growth.

Q: What are your thoughts about the current stock price? Are you confident about achieving a market capitalization (liquidity) of ¥10 billion or more for outstanding shares which is the criteria for a continued listing on Tokyo Stock Exchange Prime Market?

A: While the stock price is something that the stock market evaluates, from our personal point of view, we feel that the current stock price is comparatively low even though we have been making good progress toward its earnings plan. What we should do now is to achieve the performance targets set out in the five-year Medium-Term Management Plan without being overly caught up in short-term stock price movements. If the stock market recognizes the likelihood of us achieving the targets, we believe that we can clear the criteria for maintaining our listing, and we will proceed in our business with a strong feeling that we will definitely do it.

Q: What are your thoughts on selling stock?

A: We are not currently thinking of selling stock. We want to share the increase in shareholder value with all our shareholders based on achieving the criteria for continued listing of our stock via earnings growth.

Q: Do you disclose indicators related to dividends in addition to the annual dividend per share?

A: Since we forecast a profit decrease in FYE2023, in order to display a stable dividend provision, we changed to a basic policy of specifying a minimum dividend of ¥40 per share for FYE2023. From the next fiscal year onwards, we would like to consider increasing the dividend in line with our profit growth.

Q: Please tell us about your future M&A strategy.

A: In addition to the organic growth of our existing businesses, the company aims for intermittent growth through M&A. In addition to M&A, we will also consider alliances with companies that can be expected to increase the added value of technical employees and, in turn, improve corporate value, such as our business alliance with SpiderPlus & Co.

Q: Among general contractors who are COPRO clients, how far has the construction DX service "SPIDERPLUS" provided by SpiderPlus & Co. been introduced?

A: Many of our client companies are implementing it. We would like to play a part in accelerating the shift to digital transformation in the construction industry.

Q: The number of recruits is increasing, but is there an oversupply of human resources for client companies? Also, is there any change in the training system due to the increase in the number of recruits?

A: Against the backdrop of the decline in the working population, the shortage of human resources in Japan will continue. In addition, in the construction industry, due to the promotion of work-style reform, long working hours continue to be curtailed, and workers are needed more than ever before. At our company, in addition to external factors, with the success of the sales reform that we have been promoting since last fiscal year, job posting requests from client companies increased by 2.5 times YoY, and human resources are in short supply. The training system has already been implemented with not only face-to-face training but also online training. As the number of recruits increases, we are considering increasing the number of instructors so that the quality of the training does not drop.

Q: What are you using the recruiting costs for?

A: They are mainly fee-charging media costs and operating costs for the company's recruitment website.

Q: How is the business in Vietnam progressing?

A: While it was difficult to do things due to the impact of the coronavirus, we have been making internal preparations by stationing managers in Vietnam. While the number of international human resources traveling to Japan would be small, we expect to show some results next fiscal year.

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