

March 23, 2020 - Financial Results Telephone Conference for Analysts and Individual Investors
Key Questions and Answers

Q. Currently, COVID-19 continues to expand. What is the recent impact on your company?

A. The utilization rate last February remained at normal levels. The number of contract cancellations due to customer reasons at the end of March was no different from normal times. In addition, as of March 19 last weekend, approximately 60% of the engineers whose contracts had been terminated were replaced. The rule is that customers must contact us one month in advance in case of contract cancellation. At this time, we have not heard from any customers who wish to cancel their contracts at the end of April.

In summary, the utilization of engineers in February, March, and April has remained unchanged from normal at this point.

Q. Details of “Explore and seek new specialist fields of technology” added in the Medium-Term Business Plan this time

A. While studying the areas of activity of other companies in the same industry that provide engineer dispatching services, we would like to determine the areas of expertise in which we will expand in the future. At present, we are exploring M&A opportunities, mainly in the IT-related, the R&D of materials, and civil engineering and construction fields.

Q. I remember that your company was in a very difficult situation during the global financial crisis of 2008. Compared to that time, your company’s structure and external environment have changed. Is it correct to understand that a company like yours, which dispatches workers to upstream processes, is not so much affected by COVID-19 at this point?

A. A significant point, at the time of the global financial crisis of 2008, was that the number of contract cancellations due to customer reasons was extremely high. However, at present, the number of contract cancellations by customers in February, March, and April has not changed much from normal times, although a certain number of contracts were canceled at the end of March.

In addition, at the time of the global financial crisis of 2008, there was no demand for replacing engineers from customers for a long period. However, now there is continuing demand for engineer replacement, and progress is being made at a very early stage. We believe these characteristics differentiate the present from the time of the global financial crisis of 2008.

In addition, our corporate structure at the time of the global financial crisis of 2008 was that a high percentage of our engineers were placed in downstream processes. Therefore, when a sense of economic slowdown appeared, contract cancellations occurred.

Currently, the ratio of upstream processes has increased to about 80%. Additionally, as of now, customers have not communicated to us that they will terminate contracts regarding the Product Value Group engineers in the downstream process. This improvement in our corporate structure means we have more assets that generate sales and profits, such as people and money. As a result, we believe that we have a greater resistance to changes in the external environment due to the expansion of COVID-19.

Q. About the intention to increase the weight of contracting

A. The goal is to create a working environment for contracting as a place to utilize a wide variety of human resources.

Such human resources include foreign workers, people of retirement age, and workers from other companies in the same industry, etc. By utilizing these people, we will increase the number of operative personnel in addition to our regular employees.