

April 21, 2022 - The 60th Ordinary General Meeting of Shareholders

Key Questions and Answers

(Some parts of the contents have been added or modified for easier understanding.)

Q: What is the intention of aiming for a group personnel ratio of High Value (HV):Wide Value (WV):Product Value (PV)= 2:6:2? If the gross profit margin of HV is lower than that of WV and PV, wouldn't it be better to increase the personnel ratio of the latter two?

A: This is because when we introduced the personnel groups of HV, WV and PV, the target composition ratio of HV:WV:PV=2:6:2 was in line with the actual personnel situation at the time. Based on our past experience with economic fluctuations, and considering the risk factors of each of HV, the most upstream process, WV, the midstream process, and PV, the downstream process, we decided to allocate a higher proportion of personnel to the upstream and midstream processes of HV and WV because they are less susceptible to economic fluctuation risk. We also believe that allocating a higher proportion of personnel to HV and WV will lead to higher sales and profits.

The skill requirements for the three groups are different, and the order of difficulty in hiring is HV, WV, and PV. When considering the recruitment of human resources capable of handling upstream processes such as HV, it became necessary to enact various internal measures to develop a system that applicants would find appealing.

In this context, we established wage rules specific to HV employees that differ from those of the other groups. The rules are designed to act as a performance-based salary system in which the unit price of a contract with a client is linked to the salary of the employee, making it possible for even young people to earn relatively high annual salaries. It is a measure to hire more applicants who find the HV wage rules attractive. As a result, HV group employees deliver a lower gross margin than the WV and PV groups, but their performance is on a par with other groups in terms of generated gross profit due to the higher unit price per engineer.

Q: What is the reason for the January closing?

A: The founder decided that having a January closing offers various advantages, which we have retained to this day.