SMS

Supplementary Explanation on "Corporate Value Creation Roadmap"

May 22, 2026

About This Disclosure

- On April 28, 2026, "Corporate Value Creation Roadmap" (the "Roadmap") was disclosed, and since then we ("SMS" or the "Company") have continued dialogue with various shareholders and investors up to the present day.
- Among these, we have received numerous questions from certain shareholders and investors regarding the background to the Roadmap's formulation and its feasibility.
- Our share price has also moved +4.8% (TOPIX over the same period: +2.2%; comparison based on closing prices of TOPIX and our share price on April 28, 2026 and May 21, 2026, the latest date), outperforming TOPIX but only by a limited margin.
- We are committed to pressing forward with the formulation of the medium-term management plan through verification at the Corporate Value Improvement Committee (CVIC) with a view to realizing the Roadmap, and we believe that the most important thing is to proceed with the trust of our shareholders and investors.
- To help shareholders and investors better understand the Roadmap and our policy going forward, this document contains the background to the formulation of the Roadmap and answers to the major questions received from investors.

Executive Summary

- The Roadmap was formulated through careful deliberation, presenting targets we believe are fully achievable. Director candidates have been selected based on the skill matrix and track record to achieve these targets.
- We have conducted appropriate dialogue with major shareholders. Reflecting the content of shareholder engagement, we will formulate the medium-term management plan through the CVIC going forward.

Roadmap Formulation Process and Feasibility	▪ In formulating the Roadmap, the management team's analysis was reviewed through 11 Board of Directors meetings and additional meetings attended by Directors in total, with sufficient time (from July 2025 to April 2026, approximately 10 months) allotted for careful deliberation. — To enhance the comprehensiveness and feasibility of management measures in the Roadmap, external perspectives (Outside Directors and external advisors) and capital market perspectives were also incorporated in the deliberation. ▪ For the feasibility of the Roadmap, please refer to the "Frequently Asked Questions on the Corporate Value Creation Roadmap " included in this document.
Board Composition	▪ Director candidates with diverse skills, including four new Outside Director candidates, have been selected to realize the enhancement of corporate value. — We will compose a well-balanced Board of Directors based on the skill matrix, and work on formulating the medium-term management plan, executing management measures, and appropriate monitoring. ▪ Takahata, who assumed the role of Representative Director and CEO in January 2026, has experience managing a complex business group, and his experience and expertise are essential to realizing our growth. — Since assuming the role of Representative Director and CEO, Takahata has been executing management measures, including the formulation of the Roadmap, with speed, and advancing reforms without exceptions (no sacred cows).
Engagement with Shareholders and Investors	▪ In FY03/26, a total of 251 individual meetings were held with institutional investors and sell-side analysts. ▪ Feedback from shareholder engagement is appropriately reflected in management measures, and efforts to enhance corporate value are ongoing.

Background to the Formulation of the Roadmap

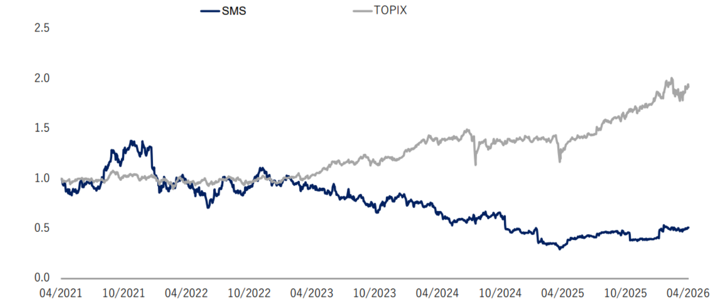
Share Price and Financial Indicator Trends	▪ As noted in the Roadmap, our share price has been on a soft trajectory since reaching its all-time high since listing in November 2021 (see right). – Financial indicators (ROE and P/E ratio) are also at low levels compared to historical trends.
Our Management Challenges	▪ We recognize that our subdued share price performance reflects management challenges, including insufficient business portfolio strategy, short-term-oriented investment decisions and over-concentration of capital in existing businesses, and inadequate utilization of technology and data.
Recognition of Impairment Loss	▪ An impairment loss was recognized in the Overseas Business in FY03/26. – In the Medical Platform Business, the order environment for marketing support remained weak due to prolonged budget cuts by major pharmaceutical companies. For the Global Career Business, a partial revision of future plans was implemented in response to the deteriorating situation in the Middle East.
Execution of Investments for Medium- to Long-Term Growth	▪ Due to investments for medium- to long-term growth, FY03/26 profit fell short of the initial plan. As growth investments will continue in FY03/27, the expansion of operating profit is expected to remain limited.

Our "Corporate Value Creation Roadmap" (pp.7–8)

Our Stock Price Performance

- Since peaking in November 2021, our stock price has declined significantly and substantially underperformed the TOPIX.

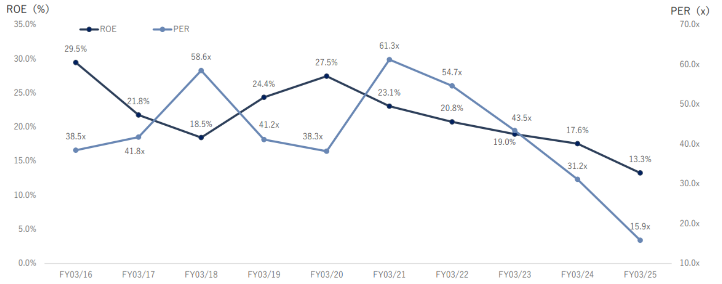
Trends in our stock price and TOPIX over the past 5 years (Indexed to April 2021)



Trends in Financial Indicators

- ROE has declined to historically low levels, reflecting both margin compression in recent periods and the continued accumulation of shareholder equity.
- PER remains on a sustained downward trajectory, indicating persistent market undervaluation.

Our ROE and PER Trends*1



Taking into account our share price performance, the recognition of impairment losses, and the impact of growth investments on operating profit, <u>we concluded it was necessary to present to the capital market at this time our recognition of management challenges, the measures to address them, and our vision including financial targets.</u>
<u>We therefore formulated the Roadmap ahead of the medium-term management plan and disclosed it on the FY03/26 full-year earnings announcement date (April 28, 2026).</u>

A Well-Deliberated Roadmap: Sufficient Time and Thorough Review

Feb.–Apr. 2026: 11 Board of Directors meetings and additional forums attended by Directors held in total

Jul. 2025:
Commenced deliberations on the Roadmap
- **Bottom-up deliberations conducted with division heads of each business unit taking responsibility**

Roadmap Formulation Framework

- **Management analysis was reviewed through 11 Board of Directors meetings and other forums attended by Directors in total, identifying management challenges, measures to address them, and financial targets.**
- **Key topics focused on as major agenda items:**
  - **Business portfolio strategy**
  - **Growth strategy for each business**
  - **Investment plan**
  - **Financial targets**
  - **Governance**
  - **Corporate Value Improvement Committee (CVIC)**

Deliberation Incorporating External Perspectives

- **At Board meetings and other forums attended by Directors, Outside Directors' views were continuously incorporated in deliberations.**
- **External advisors were also engaged to define the direction of the Roadmap.**

Deliberation Incorporating Capital Market Perspectives

- **Deliberation on the strategic direction and initiatives outlined in the Roadmap was conducted based on shareholder dialogue.**

Apr. 28, 2026:
Disclosure of the Roadmap

Going forward, the CVIC will be established to verify the business portfolio and growth strategy comprehensively.

- **The medium-term management plan, which serves as an update to the Roadmap, is planned to be disclosed by the FY03/27 earnings release (end of April 2027) at the latest.**

Frequently Asked Questions from Investors

- Following the disclosure of the Roadmap, we have received questions from certain shareholders and investors.
- The majority concern the validity of the numerical targets in the Roadmap, and the accompanying "Frequently Asked Questions on the Corporate Value Creation Roadmap" addresses concerns regarding their validity.

Selected Questions from Shareholders and Investors

- What is the difference between the Roadmap announced this time and the medium-term management plan scheduled for release by end of April 2027?
- What is the basis and probability of the EBITDA target of ¥28.0 billion for FY03/31?
- What is the background to raising the ROE target to 30%, and when is it expected to be achieved?
- What are the specific growth drivers for the Career Business toward FY03/31?
- Do you have a realistic prospect of catching up with competitors in Direct Recruiting (DR)?
- How long will the large-scale hiring of CPs continue? Will the number of hires decrease in the future?
- When will the migration to Kaipoke Connect be completed? What will be the impact on profit in the meantime?
- What is the current status and future plan for the Disability Care SaaS?
- What is the current status and future growth strategy of the Global Career Business?
- Mr. Sugizaki, who served as CFO, is scheduled to retire in June. How will you address the appointment of a new CFO going forward?

Main questions are addressed in the accompanying "Frequently Asked Questions on the Corporate Value Creation Roadmap"

SMS

Diverse Board Nominees for Corporate Value Enhancement

	Masaki Takahata	Nobuko Takagi	Tetsuro Harada (New)	Aiko Ota (New)	Makoto Yasuda (New)	Takeshi Kawasaki (New)
Position (Planned)	Representative Director and CEO	Outside Director (Audit & Supervisory Committee Member)	Outside Director (Audit & Supervisory Committee Member)	Outside Director (Audit & Supervisory Committee Member)	Outside Director	Outside Director
Key Recent Career History (Period)	• **MIMS Group, SMS Co., Ltd.** CFO *(2016–2021)* • **MIMS Group, SMS Co., Ltd.** CEO *(2021–2025)* • **SMS Co., Ltd.** Director *(2025–)* • **SMS Co., Ltd.** Representative Director and CEO *(2026–)*	• **COEING AND COMPANY** Representative Director *(2018–)* • **USS Co., Ltd.** Outside Director *(2018–2025)* • **SMS Co., Ltd.** Outside Director (Audit & Supervisory Committee Member) *(2022–)* • **Kosé Holdings** Outside Audit & Supervisory Board Member *(2024–)*	• **Dream Incubator Inc.** Director *(2018–2020)* • **Dream Incubator Inc.** Representative Director *(2020–2023)* • **Dream Incubator Inc.** Board Chair (Audit & Supervisory Committee Member) *(2024–)* • **Mandom Corporation** Outside Director *(2024–2026)* • **Wacoal Holdings Corp.** Outside Director *(2024–)*	• **Freshfields Bruckhaus Deringer LLP** *(2015–2017)* • **Nozomi Sogo Attorneys at Law** *(2017–)* • **Rajah & Tann Singapore LLP** Secondment *(2020–2022)* • **Nozomi Sogo Attorneys at Law** Partner *(2025–)*	• **BrainPad Inc.** *(2004–2011)* • **BrainPad Inc.** Director *(2011–2021)* • **Seedim** Representative Director *(2021–)* • **Nealry Inc.** *(2022–)*	• **Regional Economy Vitalization Corporation of Japan** *(2014–2020)* • **Lifenet Insurance Company** Executive Officer *(2022–2024)* • **Lifenet Insurance Company** Senior Executive Officer *(2024–2025)* • **Lifenet Insurance Company** Deputy President and CFO *(2025–)*
Key Skills	• Has led group-wide corporate planning since joining SMS • Contributed to the growth of overseas operations as CFO and CEO of the MIMS Group	• Certified Public Accountant with experience in M&A advisory and corporate strategy development • Extensive experience as an outside director at listed companies	• Extensive experience as a corporate executive and outside director at listed companies • Extensive knowledge of business portfolio strategy and strengthening capital market communications	• Experience in international corporate law • Practical experience in Singapore, where the Company has overseas operations	• As a founding member of BrainPad, led the data analytics business centered on statistical analysis and machine learning, as well as the SaaS product division	• Practical experience and broad insight in capital policy and capital market dialogue as a corporate executive at a listed company

A Well-Balanced Board with These Nominees

	Masaki Takahata	Nobuko Takagi	Tetsuro Harada (New)	Aiko Ota (New)	Makoto Yasuda (New)	Takeshi Kawasaki (New)	Reasons for Selection
Management	○		○		○	○	To effectively supervise the execution of duties by management toward the formulation of the medium-term management plan, it is meaningful for Directors themselves to have experience in corporate management.
Business Expertise	○	○	○		○	○	To realize “overwhelming medium- to long-term growth," it is important to have an overview of our entire business domains and insight into the business environment, market characteristics, and future outlook of each area.
International Experience	○	○		○			For appropriate advice and oversight of our overseas operations, which are active in many countries primarily in APAC, it is desirable to have knowledge based on overseas experience.
Legal / Risk Management			○	○			The market related to an aging society, our business domain, expands year by year, with the volume of related information growing rapidly and becoming increasingly complex. It is essential to recognize and manage risks in such a business environment.
Accounting / Finance / M&A	○	○	○			○	Business monitoring based on business portfolio strategy, execution of growth investments and new business creation utilizing M&A and business alliances, and the ability to formulate capital policy and make sophisticated investment decisions are required.
IT / DX	○				○		To leverage our vast accumulated data for business model expansion and building a competitive moat, it is necessary to incorporate advanced technology into our management strategy in a timely and appropriate manner.
Sustainability	○	○		○		○	For SMS, whose mission is to address social challenges in an aging society, a deep understanding and practice of sustainability is essential to achieving both business growth and the realization of a sustainable society.

Based on the knowledge and experience of the Director candidates above, we will formulate the medium-term management plan and execute reforms without exceptions (no sacred cows).

Rationale for Appointing Takahata and Key Initiatives

- **Takahata, who assumed the role of Representative Director and CEO in January 2026, has experience managing a complex business group.**
- **He has deepened his understanding of the Company's business structure and capital markets, and is executing management measures, including the formulation of the Roadmap, with speed.**

CEO Qualifications	▪ Takahata served as CEO of MIMS (the Company's overseas operations) from 2021 to 2025, managing a complex business group spanning 17 countries and regions, operating five businesses, and comprising over 30 subsidiaries. ▪ The role of CEO at SMS requires the ability to optimize the business portfolio while driving corporate value. Takahata's expertise in managing complex organizations with balance is deemed essential to our growth. – Objective approach to overseas business continuation decisions, despite having personally led all overseas operations. – It would be difficult to recruit externally a CEO who deeply understands our current complex business structure and can engage in candid, rigorous discussions with the heads of each business.
Post-Appointment Initiatives	<u>Management and business execution</u> ▪ Since July 2025, following his appointment as Director, Takahata has collaborated with Corporate Planning and business division heads on the deliberation and review of the Roadmap. Through internal information gathering and dialogue with shareholders and investors, he deepened his understanding of our complex business structure and capital markets, culminating in the April 28 disclosure of the overall strategic direction. ▪ He has also been implementing the following management measures (including measures in the Roadmap) with speed: – Establishing the business portfolio strategy and processes for business evaluation and continuation decisions (multiple businesses have already been exited,*[1] with further exits under consideration) – Strategy formulation and execution of necessary investments aimed at leveraging technology and data – Building a framework for M&A evaluation and promotion – Promoting proactive disclosure, including the commencement of segment-based disclosure from FY03/27 <u>Governance</u> ▪ Through Board deliberations including Takahata, it was decided to revamp the Board composition and strengthen governance through the establishment of the CVIC. – Regarding Board composition, four new outside director candidates with skills essential for enhancing corporate value have been appropriately selected through consultation with and recommendation by the Nomination and Remuneration Advisory Committee.

1. For businesses where the decision to exit has already been made, please refer to Q7 in the accompanying "Frequently Asked Questions on the Corporate Value Creation Roadmap."

Status of Engagement with Shareholders and Investors

- From April 2025 to March 2026, a total of 251 individual meetings were held with shareholders and sell-side analysts.
- Feedback from shareholder and investor dialogue is reported to and discussed with management and the Board of Directors, and reflected in the Roadmap and management strategy.
  – We have also held multiple rounds of dialogue with major shareholders, including Oasis Management and the Company's founder, and plan to continue such dialogue going forward.

Status of Engagement (April 2025–March 2026)

Engagement with Shareholders and Investors		Results	Activities
Earnings Briefings		4 Sessions	Earnings briefings held with attendance by the CEO, CFO, and IR Department
Securities Company-Hosted Conferences		2 Sessions	IR Department participated in conferences for overseas investors 5–10 meetings held at each conference
Individual Meetings	Sell-Side Analysts	46 Meetings	Dialogue conducted by CEO, CFO, Outside Directors, and IR Department
	Institutional Investors	205 Meetings	

Disclaimer

- These materials are intended to provide supplementary explanation of the Roadmap that has already been disclosed. These materials do not constitute a solicitation of proxy voting rights from shareholders, by the Company or any third party, with respect to the agenda items of the Company's Annual General Meeting of Shareholders.
- Information in these materials other than that originating from the Company has been prepared based on publicly available information. However, the Company makes no representations or warranties as to the accuracy, certainty, or completeness of such information, and accepts no responsibility for any judgment made based on such information.
- These materials also contain forward-looking statements based on the Company's current plans, estimates, expectations, and forecasts regarding trends in its business and industry. Such forward-looking statements are subject to various risks and uncertainties.
- The forward-looking statements contained in these materials, including earnings forecasts, are based on information available to the Company as of May 22, 2026, and certain assumptions that the Company deems reasonable, and do not constitute a commitment by the Company to achieve them. Actual results may differ materially from the forward-looking statements in these materials due to various factors.

Frequently Asked Questions on the Corporate Value Creation Roadmap

May 2026 SMS Co., Ltd. IR & Research Department

This document compiles major questions commonly raised by institutional investors and securities analysts during individual meetings conducted between May 1 and May 20, 2026, following the earnings release on April 28, 2026, along with our responses.

Reference: Corporate Value Creation Roadmap (disclosed on April 28, 2026)

1. General Questions on the Roadmap and Financial Targets

Q1 What is the difference between the roadmap disclosed this time and the medium-term management plan scheduled to be announced by the end of April 2027? (pp. 5, 30)

A [Difference in Positioning Between the Roadmap and the Medium-Term Management Plan]

The roadmap has been formulated as a precursor to the medium-term management plan, with the purpose of clarifying foundational information to rebuild dialogue with investors. The main differences between the two are the following three points.

(1) Re-presenting SMS's Long-Term Growth Potential to the Market

In the roadmap, we recognize that our Company's growth potential has not been properly valued by the market due to the decline in share price over recent years, and we have prioritized demonstrating our long-term direction and room for growth. In the medium-term management plan, building on this foundation, we plan to present more detailed information to enable the market to properly evaluate our growth potential.

(2) Policy on Business Portfolio Restructuring

In the roadmap, we have indicated a policy of subjecting areas with high uncertainty, such as the Overseas Business, to zero-based reevaluation by the Corporate Value Improvement Committee (CVIC). Following subsequent concrete discussions, we will present the optimal portfolio structure—including exit, divestiture, and reinvestment decisions—in the medium-term management plan.

(3) Phased Disclosure in Line with Plan Refinement

In the roadmap, we present the direction for achieving our numerical targets and improvement trends in key KPIs. In the medium-term management plan, we plan to disclose a more refined plan including more detailed business-level KPIs, investment plans, and capital policy.

[Background Leading to Roadmap Disclosure in April 2026, Prior to the Formulation of the Medium-Term Management Plan]

Taking into account the trends in our share price, the recognition of impairment losses in overseas businesses, and the impact of growth investments on operating income, we judged it necessary to present to the capital markets at this time our recognition of management challenges under the new management structure, the management measures being taken to address them, and our target direction including financial goals. Accordingly, we disclosed the roadmap prior to the formulation of the medium-term management plan.

Q2 What is the basis and probability of achieving the FY03/31 EBITDA target of ¥28.0 billion? (pp. 5, 11, 14, 17, 21, 23)

A This roadmap has been formulated without overly optimistic assumptions, based on improvements that have already been confirmed in actual results, with a clear distinction between areas of high certainty and areas requiring further refinement. Specifically, we have structured the plan for each business as follows.

Career Business

For the RAG (Recruiting Agent service), we have established quantitative assumptions based on improvements that have already begun to materialize in actual results. Improvements in placement rates and productivity enhancement through AI utilization for Career Partners (CPs) are based on historical and current improvement trends and our outlook on the future market environment. The plan reflects additional improvements that can be reasonably expected from future strategic initiatives and represents a realistic plan.

For the Direct Recruiting (DR), growth in the number of job listings and improvement in application conversion rates are the primary drivers of sales growth, and differences in unit price structure are also incorporated. While DR has lower unit prices compare to the RAG, it has a structure in which profit margins improve through growth in the number of job listings—leading to improved SEO and lead acquisition efficiency—and a rise in application conversion rates through improvements in job listing quality. Currently, we have been working to improve the quality of job listings in specific regions and have been successfully translating this into higher application conversion rates as planned, with results beginning to materialize in the second half of FY03/26.

Management Support Business (Elderly Care/Disability Care)

For the Management Support Business, as with the RAG, we have established quantitative assumptions based on improvements that have already begun to materialize in actual results. Growth in Kaipoke memberships and increases in ARPA (Average Revenue Per Account) are based on historical and current improvement trends and our outlook on the future market environment. The plan incorporates realistically achievable increases in memberships and ARPA based on future strategic initiatives. Furthermore, the market structure and environment for Disability Care SaaS closely resembles the past state of the Elderly Care SaaS market, and the plan has been formulated on the premise that a certain level of quantitative projections based on Kaipoke's historical expansion are achievable.

Overseas/Others

For the Overseas Business, the current level of uncertainty remains high, and we are at a stage of pursuing radical improvements to our profit structure while exploring all available strategic options. In formulating the numerical targets for FY03/31, we have not placed overly optimistic assumptions: we do not expect significant growth from the Medical Platform Business, and the plan incorporates business expansion in the U.S., Australia, Germany, and other markets through the Global Career Business. The future policy for the Overseas Business will be refined in the medium-term management plan, following discussions and deliberations at the CVIC.

For other business development areas, amid an increase in the number of services deployed, there are multiple businesses that require continuation decisions. The plan incorporates a certain level of expansion of existing businesses and new business development in areas where market potential, growth potential, and synergies with other businesses can be expected, alongside the exit or scale-down of those businesses.

M&A

M&A is not incorporated in the current numerical targets for FY03/31. While we currently have a large pipeline of M&A candidates under consideration, we treat M&A strictly as an upside factor in our targets. The structure is such that even in the event of a business exit or divestiture, we can compensate with alternative investments that contribute more to corporate value enhancement.

Q3 Please provide the background and timeline for raising the ROE target to 30%. (pp. 5, 11)

A There are two main reasons for raising the target from the previous 20% to 30%. First, with the impairment losses in overseas businesses reducing net assets, the 20% target was no longer reflective of reality. Second, as a result of scenario verification across each business, we determined that achieving ROE of 30% in FY03/31 through business growth alone was within our range of achievement. This ROE 30% target is not attributable to a mere reduction of the denominator—it has been set as an achievable target based primarily on expanding the numerator through business growth, combined with optimizing the denominator through capital policy.

To achieve ROE of 30%, we will advance profit margin improvements accompanied by profit growth in each business, while flexibly executing capital policies such as share repurchases, carefully assessing share price levels, financial capacity, and the impact on ROE improvement. In doing so, we will maintain a balance between growth investment and shareholder returns, and rigorously monitor investment allocation based on capital efficiency on an annual basis.

Regarding the timeline, we believe the target can be achieved in FY03/31 even without share repurchases. We believe that with a certain scale of share repurchases, earlier achievement is also possible. We have set this as a challenging yet fully achievable target.

Q4 What is the intent behind changing the primary profit metric from EPS to EBITDA? (p. 5)

A The purpose of shifting the primary profit metric from EPS to EBITDA is to redesign the metric framework to one that properly measures "medium- to long-term corporate value" rather than short-term profits. For businesses such as the Career and Management Support segments, where there is a time lag between when investments are made and when they are recovered as profit, we determined that demonstrating growth in EBITDA terms leads to a more appropriate valuation. There are three main reasons for this decision.

(1) Correcting the Mismatch Between the Timing of Growth Investment Recovery and Profit Recognition

For our core businesses to achieve medium- to long-term growth, investments in AI, products, and data accumulation are necessary, and there is a time lag before profits are recognized. Under EPS, the value of these investments would not be properly evaluated, creating a risk of incentivizing management to prioritize short-term profit maximization and leading to underinvestment. EBITDA, on the other hand, can more accurately reflect the returns from investments, the growth potential of businesses, and future cash generation capacity.

(2) Properly Demonstrating "Underlying Business Performance" and Accurately Visualizing Roadmap Progress

Improvements in RAG productivity through AI utilization, DR revenue growth and profit margin improvement, ARPA increases in Kaipoke, and structural reforms in overseas businesses are all improvements that directly impact EBITDA. Under EPS, depreciation and amortization, the burden of amortizing past investments, and the effects of impairments are all mixed together, making it difficult to see underlying business performance. By using EBITDA, we can most accurately demonstrate the underlying business performance.

(3) Ensuring and Strengthening Capital Efficiency Awareness Through Paired Management with the ROE 30% Target

In response to concerns that "the change in metrics may reflect a disregard for capital efficiency," we have clearly set an ROE target of 30%. By managing ROE—the most important indicator of capital efficiency—in tandem with EBITDA—the indicator of business growth—we aim to achieve both growth and capital efficiency, thereby enhancing corporate value.

We recognize that because EBITDA excludes depreciation and amortization, there is a risk of loosening discipline on software investments and M&A investments. To address this, we will manage individual investment decisions according to standards including payback period and expected returns.

Q5 What are the risk factors for achieving the FY03/31 targets? (pp. 5, 11, 15)

A The primary risks include the pace of talent acquisition and development—the foundation for growth—and the speed of progress in technology utilization, including AI.

Regarding talent acquisition, for the recruitment of CPs—who constitute a relatively large portion of our workforce—we believe that year-round recruitment will enable us to stably secure the necessary headcount while also making it easier to respond to changes in market conditions. For FY03/27, we plan to hire approximately 465 CPs, a number that is fully achievable based on our track record. We will also work to improve CP productivity to prevent performance-related attrition and achieve more stable organizational management. While we expect to recruit CPs at a certain scale each year, the ratio of recruitment costs and personnel expenses to net sales is planned to gradually decrease from FY03/28 onwards as productivity improves.

For other roles, we will work to improve our recruiting competitiveness and retain talent by strengthening our corporate brand and continuously reviewing our talent management systems.

Risks related to technology utilization primarily concern the pace of technology implementation in both the Career and Kaipoke products, and we are advancing the following three measures in response.

(1) Strengthening Implementation Capabilities in Development

We are simultaneously advancing the reinforcement of hiring for PdMs and specialist engineers proficient in AI and data science, alongside reskilling and development of existing development team members. For example, in the Career Business, we are using AI to analyze CP interview recording data, which is contributing to the automatic generation of interview feedback and improvements in job proposal precision, with results such as an improving placement rate already emerging.

(2) Leveraging External Experts

To make the most appropriate technology decisions at the fastest possible pace, we plan to appoint Mr. Suzumura—a leading authority in computer science who has served as an Outside Director of our Company and provided advice and oversight on our technology utilization—as a Technology Advisor. This will enable us to transition to a structure that allows us to obtain sophisticated advice at the operational level, including product architecture.

(3) Actively Leveraging External AI Capabilities

We are advancing the utilization of external AI capabilities through API integration and other means, without being constrained by an in-house-first approach. Specific initiatives are already underway: in Kaipoke, AI functionality has been expanded through a partnership with Welmo.

In addition, while external environment risks such as regulatory changes and competition will continue to be considered, we will establish frameworks for structurally monitoring business risks through the CVIC and other channels, and put in place a structure to mitigate and absorb risks through optimal investment and capital allocation.

2. Business Portfolio Strategy

Q6 Why is business profit margin used for business portfolio evaluation rather than ROIC? (p. 12)

A Since many of our businesses operate on an asset-light model, ROIC-based evaluation is not necessarily suitable for all of them. Furthermore, applying ROIC across all businesses—including smaller-scale ones—is susceptible to the influence of shared asset and company-wide cost allocations, making it not necessarily optimal as an ongoing metric for evaluating our business portfolio. For these reasons, we currently use business profit margin for evaluation. We set appropriate hurdle rates—taking into account the cost of capital and the coverage of company-wide shared costs—for each business model and business characteristics, and use business profit margin to evaluate the portfolio; we plan to further refine this through CVIC verification going forward.

In response to investor feedback regarding ROIC disclosure, we will also consider the disclosure of segment-level ROIC and similar metrics in the medium-term management plan, which we plan to disclose in the future.

Q7 Have any decisions already been made to exit or divest businesses? (p. 13)

A In conjunction with the renewal of our management structure, we are conducting a zero-based reevaluation of our business portfolio in accordance with the framework we presented, and we have already decided to exit multiple businesses.

Specifically, from the perspectives of profitability and capital efficiency, we have decided to exit the consumer health information service in Malaysia, the marketing platform businesses in Indonesia and South Korea, the advertising agency business for pharmaceutical companies in Indonesia, the elderly frailty business in Japan, and the recruiting advertising business for Judo therapists and licensed massage therapists in Japan. Regarding the Overseas Business, we will consider all options, including alliances with other companies and the introduction of external capital.

The capital generated from business exits and divestitures will be promptly reallocated to areas with high capital efficiency, such as AI-related initiatives in the Career Business, DR, Kaipoke (where both membership numbers and ARPA are trending upward), and Disability Care SaaS (which has high growth potential). We will treat exits not as an end in themselves but as a means to connect to the next phase of growth, and we will rigorously pursue capital recycling.

Q8 New businesses are mentioned in "Potential Investment Areas." Is there any progress? (p. 23)

A Progress has also been made on new businesses, with market research underway and commercial discussions progressing for M&A and capital and business alliances. In terms of what is currently visible, we plan to enter the foreign worker nursing care placement business during Q2 of this fiscal year. We believe this is promising, as it can accelerate growth in nursing care recruitment—where labor shortages are a serious issue—and also offers significant synergies with our Global Career Business. For new businesses as well, we will ensure investment returns while maintaining objective rationality through the evaluation framework we have presented and CVIC verification.

3. Career Business (RAG/DR) (pp. 14–16)

Q9 Please explain the growth drivers for the Career Business toward FY03/31.

A The growth drivers for the Career Business toward FY03/31 are primarily composed of three elements.

(1) Improvement in Placement Rates Through AI Utilization

We will improve the placement rate per acquired job seeker, thereby achieving efficient revenue growth.

(2) Improvement in Advertising Efficiency

The additional profits generated by improved placement rates will be recycled and reinvested as advertising and promotion expenses, generating a virtuous cycle that further expands the number of job seekers acquired.

(3) Expansion of DR

We aim to grow DR from net sales of approximately ¥2.0 billion in FY03/26 to a scale of approximately ¥10.0 billion in FY03/31. For details on our DR strategy, please refer to Q11.

Q10 Is there a winning strategy for DR to catch up with competitors?

A Rather than competing head-on on the same playing field as competitors, we are envisioning a strategy to win by focusing on areas where we can leverage our strengths. There are three main structural advantages and strategies.

(1) Deep Service Office Data Centered on the Medical and Nursing Care Sectors

The detailed interview data accumulated by CPs over the years—including nurturing policies, reasons for resignation, and workplace culture—are proprietary assets that overwhelmingly enhance DR matching precision. The depth of this information represents a strength that is difficult for competitors to replicate.

(2) Winning Through a "RAG-DR Hybrid Model" Rather Than DR Alone

By leveraging synergies with the RAG business, we can maintain high job seeker acquisition efficiency through simultaneous registration in both services, while also improving the hiring success rate for service offices, establishing a unique structural advantage that no other company possesses.

(3) Regional Dominant Strategy Aimed at Resolving Uneven Distribution of Job Listings, Rather Than Competing Across the Board

Rather than adopting a strategy of comprehensive coverage across all areas from the outset, we will concentrate management resources on areas where our strengths can be leveraged, aiming for steady market share expansion.

Q11 How long will the large-scale hiring of CPs continue? Will the number of hires decrease in the future?

A We will continue hiring at a certain scale, but the ratio of recruitment costs and personnel expenses to net sales is planned to decrease as revenue growth outpaces hiring. However, once AI agents are incorporated into front-end interactions with job seekers and service offices, the areas requiring human involvement will narrow, and we expect to reach a state where we do not need to significantly increase the number of CPs from around FY03/30.

Q12 To what extent is AI matching currently implemented? Is there a competitive advantage?

A We are currently in the stage of back-end utilization. Specifically, we are seeing results in productivity improvement through AI analysis of interview recording data from all CPs, including automated generation of interview feedback and improvements in job proposal precision. We believe we have an advantage over competitors in terms of the volume and depth of high-quality matching data, which we believe will translate into a unique and difficult-to-replicate strength.

4. Management Support Business (Elderly Care/Disability Care) (pp. 17–20)

Q13 When will the migration to Kaipoke Connect be completed? What will be the impact on profits during the migration period?

A We plan to release Kaipoke Connect in stages by service type, with full migration planned for 2029. During the migration period, dual depreciation of the current Kaipoke and Kaipoke Connect will occur, so the depreciation burden will remain heavy through approximately FY03/29. After the migration is complete, the depreciation burden is expected to decrease significantly, and the operating profit margin is expected to improve.

Q14 Is there room to increase Kaipoke's ARPA?

A There are areas where Kaipoke is priced relatively lower compared to competitors, and we are considering revisions to appropriate price levels and the timing of such revisions. The plan also incorporates unit price increases through the sale of optional services such as factoring and device rental. While operators with a preference for lower prices may choose competing services, the comprehensive value of the management support services provided by Kaipoke is difficult to substitute, and we view the churn risk as limited.

Q15 What is the current status and future plan for Disability Care SaaS?

A Disability care is a market growing at a CAGR of 10% toward FY03/31, and over the next five years we will prioritize industry penetration and expansion of our customer base, offering services at a price structure that is easy for customers to adopt. Over the medium to long term, while continuously enhancing features and improving service value, we will advance appropriate revisions to pricing structures (pricing optimization) in line with these improvements. Regarding Disability Care SaaS, net sales were approximately ¥500 million in FY03/26, and we are targeting net sales of approximately ¥5.0 billion in FY03/31.

5. Overseas Business (p. 21)

Q16 What is the future policy for MIMS? Is there a possibility of divestiture or exit?

A We are not ruling out either divestiture or exit. We will evaluate the business at the CVIC based on criteria such as: ① whether SMS is the best owner; ② whether we can achieve the growth demanded by the market; and ③ whether it is an appropriate investment from the perspective of capital efficiency.

Q17 What is the current status and future growth strategy of the Global Career Business?

A The Global Career Business has medical personnel placement to the Middle East as its core, but sales have been unstable due to geopolitical risks. However, with aging populations advancing in various countries and against the backdrop of a global expansion in demand for medical professionals, there is significant room for long-term growth. Going forward, we will aim for renewed growth by strengthening our business development in regions outside the Middle East (the U.S., Australia, Germany, etc.). We are also considering a strategic combination with the foreign worker nursing care placement business in Japan, which we plan to enter.

6. Capital Policy and Financial Strategy (p. 22)

Q18 What was the intent behind setting a borrowing limit of Net debt/EBITDA of 3x? Is M&A a prerequisite for the plan? (p. 22)

A M&A is not incorporated into the plan. By indicating the available financial capacity (currently approximately ¥34.0 billion equivalent), we intended to communicate our willingness to invest nimbly in response to growth opportunities.

Q19 What is the policy on shareholder returns? What is the scale of share repurchases?

A We plan to implement a combination of dividends and agile share repurchases. Specific scale and timing will be disclosed following discussions at the CVIC, taking into account the status of business investments and the path toward achieving our ROE targets. We believe that share repurchases at discounted price levels contribute to corporate value enhancement, and we intend to respond nimbly.

Q20 Can you provide a clearer framework for capital allocation?

A Currently, we are not in a position to present a quantitative framework as there is a wide range in the scale of potential M&A and the amount of share repurchases. We plan to organize the priorities and allocation framework through discussions at the CVIC, and present it in a more concrete form in conjunction with the announcement of the medium-term management plan next year.

7. Governance and CVIC (pp. 24–30)

Q21 What is the purpose of establishing the CVIC, and what is its operating policy?

A The CVIC is responsible for verifying through an external perspective whether the plans developed by the executive side are objectively sound, and for formulating a medium-term management plan aimed at genuine corporate value enhancement and its reflection in the share price. It will be operated primarily by Outside Directors, with the participation of external experts as well. The framework for the CVIC structure and the status of discussions will be disclosed on an ongoing basis going forward.

Q22 Is there a risk that the direction of the roadmap will change following the launch of the new Board of Directors?

A The direction of the roadmap has been the result of careful deliberations including the Board of Directors, and we do not believe at this time that fundamental changes will be necessary. Should fundamental changes be deemed necessary following discussions at future Board meetings and the CVIC, we will disclose the progress of deliberations in a timely manner and take necessary action. The Outside Directors scheduled to be appointed at the Annual General Meeting of Shareholders in June are composed of members with experience in capital market dialogue and expertise that contributes to corporate value enhancement. We believe they are individuals capable of objective and constructive discussion, while being mindful of reflecting the views of our shareholders and other stakeholders in our management.

Q23 Mr. Sugizaki, who served as CFO, is scheduled to retire in June. How will the appointment of a new CFO be addressed?

A We strongly recognize the need for a dedicated CFO function during the current phase of management transformation. We expect a CFO to join in August, which will enable us to establish the structure for executing the Roadmap at the earliest opportunity.

The incoming CFO spent over a decade in investment banking before most recently serving in executive roles—including CSO, COO, and CFO—at two startup companies, and led the IPO of one of them. We determined that this individual possesses extensive knowledge and hands-on experience in areas including capital market dialogue, capital policy, and M&A, which led to the appointment.

— End —