



Career Design Center / 2410

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How to read a Shared Research report: This report begins with the trends and outlook section, which discusses the company's most recent earnings. First-time readers should start at the business section later in the report.

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Executive summary

Business overview

- Overview:** Career Design Center (CDC) is a human resource services company founded by Hiromi Tada, formerly a director of Recruit Co., Ltd. (now Recruit Holdings Co., Ltd., TSE1: 6098). CDC's business is concentrated on the Tokyo metropolitan area and targets highly career-oriented workers aged around 30. Engineers, salespeople, and women are particular focuses. Via five business segments, the company offers HR-related services such as providing information about job openings for regular employees.
- Media Information business:** FY09/19 revenue was JPY5.1bn (42.0% of total revenue), and recurring profit was JPY171mn. In recent years, around 3mn people have been changing jobs in Japan annually, and one of the most popular routes used to search for work are job-listing media (around 30% of people are hired via job ads). CDC's key product in this business is *type*, a job-change website. Jobseekers can browse the site free of charge, but are required to register when they apply for a job. According to a 2017 Nielsen survey, *type* is one of the biggest job-search sites in Japan, with around 2mn unique views per month and 3.0mn registered members. The site has a market share of approximately 13% (in the Tokyo metro area, according to Yano Research Institute). The company generates earnings from ad listing fees paid by companies seeking employees. For the *type* website, listing fees differ by listing category, but typically run around JPY500,000–600,000 per company per month. The company also holds job fairs (where jobseekers interview with prospective employers), which employers pay to join.
- Recruiting Agency business:** FY09/19 revenue was JPY2.6bn (21.2% of total revenue), and recurring profit was JPY438mn. Here, the company seeks to match registered jobseekers with job offers. Matching accuracy is an important factor as the business depends on incentive fees from successfully matching job seekers to corporate job openings. These fees are typically 35% of a candidate's annual salary.
- IT Worker Dispatch:** FY09/19 revenue was JPY4.0bn (32.7% of total revenue), and recurring profit was 227mn. In this business, CDC matches candidates (mainly engineers) registered in its database who best meet the hiring needs of companies and dispatches them as temporary workers. Margins (recurring profit margin of 5.7% in FY09/19) are higher than for general desk worker dispatch, as this business focuses narrowly on IT engineers. CDC's three largest businesses (Media Information, Recruiting Agency, and IT Worker Dispatch) accounted for 84.0% of total revenue in FY09/19.
- Media Information business key indicators:** Although the Media Information business is not success-based, employer satisfaction affects future orders (and thus revenue). For that reason, key indicators used by CDC's management include the monetary amount of employer orders (figure not disclosed), and the number of jobseekers who are registered or respond to ads (some figures disclosed). Advertising expenditure is also a key metric, as ads affect the future number of registered members and job applications.
- Competitors:** CDC can be compared with peers in terms of media brands and the number of registered members. Competing media brands include Rikunabi NEXT (9.2mn members, operated by the Recruit Group, TSE1: 6098), Mynavi (5.9mn members, Mynavi Corporation), doda (5.4mn members, Persol Group, TSE1: 2181), and en Tenshoku (8.0mn members, en-japan inc., TSE1: 4849).

Trends and outlook

- FY09/19 consolidated results:** The company generated revenue of JPY12.2bn (+10.7% YoY), operating profit of JPY1.0bn (-14.7% YoY), recurring profit of JPY1.0bn (-14.3% YoY), and net income attributable to owners of the parent of JPY721mn (-10.2% YoY). While Recruiting Agency revenues came in significantly below expectations, revenues for other segments were steady. This was particularly true for the Media Information business, which delivered better-than-expected performance after a major advertising campaign launched in January 2019 resulted in growth of newly registered members and number of job applications.
- Revised FY09/20 forecast:** On September 25, 2020, CDC announced revisions to its earnings and dividend forecasts. Its revised earnings forecast is for revenue of JPY10.9bn (previous forecast was undetermined), an operating loss of JPY330mn, a recurring loss of JPY330mn, and a net loss attributable to owners of the parent of JPY450mn. CDC forecasts revenue to fall

severely short of plan as a result of the number of corporate clients decreasing in the Media Information, Recruiting Agency, and New Graduate Introduction businesses due to the global spread of COVID-19 and the resulting economic slowdown. Owing to the extended state of emergency, the drop in revenue has been more prolonged than anticipated, and profit at each level has also trended below forecast. As a result, the company expects to record its first full-year recurring loss in 10 years since the 2008 global financial crisis brought on by the collapse of the US subprime mortgage market. The company plans a dividend of JPY20 per share in FY09/20.

- CDC discloses its earnings forecast for the medium term. It was targeting revenue of JPY15.0bn and recurring profit of JPY1.5bn for FY09/21. However, due to the spread of COVID-19, the company expects difficulty in achieving initial full-year FY09/20 targets, and plans to revise its FY09/21 targets upon closer examination.

Strengths and weaknesses

Shared Research believes the company's strengths are efficient and effective earnings structure underpinned by focused target markets; jobseeker data in areas where hiring need is high; and the ability to leverage jobseeker data obtained in the Media Information business to drive growth in the Recruiting Agency business. Conversely, we think the company's weaknesses are that highly focused targets mean limited market potential; data on jobseekers is skewed toward specific types of candidates, limiting business expansion; and, as CDC is comparatively small in the recruitment industry, the loss of an employee can easily impact earnings.

Key financial data

Income statement (JPYmn)	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	FY09/19	FY09/20
	Parent	Parent	Parent	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons. Est.
Revenue	2,794	3,986	5,107	6,217	7,621	8,570	9,894	10,976	12,155	10,930
YoY	60.0%	42.7%	28.1%	21.7%	22.6%	12.4%	15.4%	10.9%	10.7%	-10.1%
Gross profit	2,041	2,839	3,486	4,241	4,995	5,730	6,615	7,119	7,540	
YoY	65.2%	39.1%	22.8%	21.7%	17.8%	14.7%	15.4%	7.6%	5.9%	
GPM	73.0%	71.2%	68.3%	68.2%	65.5%	66.9%	66.9%	64.9%	62.0%	
Operating profit	182	356	500	737	628	1,005	1,154	1,166	995	-330
YoY	-134.6%	95.5%	40.5%	47.2%	-14.7%	60.0%	14.8%	1.1%	-14.7%	-
OPM	6.5%	8.9%	9.8%	11.8%	8.2%	11.7%	11.7%	10.6%	8.2%	-3.0%
Recurring profit	187	360	502	738	631	1,009	1,158	1,170	1,003	-330
YoY	-135.7%	92.2%	39.4%	47.1%	-14.6%	60.1%	14.8%	1.0%	-14.3%	-
RPM	6.7%	9.0%	9.8%	11.9%	8.3%	11.8%	11.7%	10.7%	8.3%	-3.0%
Net income	165	356	426	722	410	675	803	803	721	-450
YoY	-131.2%	116.2%	19.5%	69.5%	-43.2%	64.6%	19.0%	0.0%	-10.2%	-
Net margin	5.9%	8.9%	8.3%	11.6%	5.4%	7.9%	8.1%	7.3%	5.9%	-4.1%
Per-share data (JPY)										
Shares issued (year-end; '000)	71	71	71	7,054	7,054	7,054	7,054	7,054	7,054	
EPS	24.1	52.2	62.3	105.6	60.0	98.8	118.5	119.9	107.1	
EPS (fully diluted)	-	-	-	105.5	59.9	98.8	117.9	118.5	106.8	
Dividend per share	10.0	15.0	30.0	25.0	30.0	30.0	38.0	38.0	45.0	20.0
Book value per share	141.5	183.7	231.0	306.6	341.5	407.1	479.6	567.4	640.7	
Balance sheet (JPYmn)										
Cash and cash equivalents	804	1,118	1,545	1,754	2,066	2,285	2,456	2,933	3,193	
Accounts receivable	344	509	614	743	919	1,059	1,272	1,427	1,458	
Total current assets	1,184	1,680	2,226	2,670	3,181	3,511	3,974	4,556	4,797	
Tangible fixed assets	72	63	144	200	180	218	196	236	217	
Investments and other assets	83	106	121	168	179	204	312	396	405	
Intangible fixed assets	179	172	247	417	431	469	543	511	672	
Total assets	1,518	2,020	2,737	3,456	3,971	4,401	5,025	5,611	6,091	
Accounts payable	95	170	228	229	286	330	447	502	495	
Short-term debt	130	130	91	61	86	106	65	45	45	
Total current liabilities	509	695	836	1,044	1,381	1,322	1,546	1,555	1,585	
Long-term debt	0	0	202	141	80	100	60	40	20	
Total fixed liabilities	43	55	259	224	164	221	187	175	181	
Total liabilities	551	750	1,095	1,268	1,545	1,544	1,733	1,730	1,766	
Net assets	1,518	2,020	2,736	3,456	3,971	4,401	5,025	5,611	6,091	
Total interest-bearing debt	130	130	293	202	166	205	125	85	65	
Cash flow statement (JPYmn)										
Cash flows from operating activities	236	483	611	964	696	689	942	1,001	907	
Cash flows from investing activities	114	-100	-243	-456	-176	-261	-325	-267	-408	
Cash flows from financing activities	-25	-69	58	-297	-208	-209	-445	-257	-239	
Financial ratios										
ROA (RP-based)	13.3%	20.4%	21.1%	23.8%	17.0%	24.1%	24.6%	22.0%	17.1%	
ROE	18.6%	31.9%	29.3%	37.7%	17.8%	25.5%	26.1%	22.4%	17.6%	
Equity ratio	63.7%	62.1%	57.7%	60.6%	58.8%	62.8%	63.7%	67.9%	71.0%	

Source: Shared Research based on company data; per-share data adjusted for stock splits

Note: Personnel expenses under SG&A expenses are a sum of salaries, retirement benefit expenses, and provision for bonuses indicated in the company's annual securities report.

Revenue and recurring profit by segment

(JPYmm)	FY09/10	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15
	Parent	Parent	Parent	Parent	Cons.	Cons.
Revenue	1,746	2,794	3,986	5,107	6,217	7,621
YoY	-16.9%	60.0%	42.7%	28.1%	21.7%	22.6%
Career Information	1,313	1,888	2,502	3,029	3,596	4,181
YoY	-17.4%	43.8%	32.5%	21.0%	18.7%	16.3%
% of total revenue	75.2%	67.6%	62.8%	59.3%	57.8%	54.9%
Recruiting Agency	433	611	846	989	1,254	1,498
YoY	-15.4%	41.1%	38.4%	16.8%	26.8%	19.5%
% of total revenue	24.8%	21.9%	21.2%	19.4%	20.2%	19.7%
New Graduate Media	-	-	-	-	-	-
YoY	-	-	-	-	-	-
% of total revenue	-	-	-	-	-	-
New Graduate Introduction	-	-	-	-	-	49
YoY	-	-	-	-	-	-
% of total revenue	-	-	-	-	-	0.6%
IT Worker Dispatch	-	295	638	1,089	1,368	1,899
YoY	-	-	116.5%	70.8%	25.6%	38.8%
% of total revenue	-	10.5%	16.0%	21.3%	22.0%	24.9%
Recurring profit	-527	182	356	500	737	628
YoY	-57.8%	-134.6%	95.5%	40.5%	47.2%	-14.7%
RPM	-	6.5%	8.9%	9.8%	11.8%	8.2%
Career Information	-	-	-	-	-	-
YoY	-	-	-	-	-	-
% of recurring profit	-	-	-	-	-	-
RPM	-	-	-	-	-	-
Recruiting Agency	-	-	-	-	-	-
YoY	-	-	-	-	-	-
% of recurring profit	-	-	-	-	-	-
RPM	-	-	-	-	-	-
New Graduate Media	-	-	-	-	-	-
YoY	-	-	-	-	-	-
% of recurring profit	-	-	-	-	-	-
RPM	-	-	-	-	-	-
New Graduate Introduction	-	-	-	-	-	-
YoY	-	-	-	-	-	-
% of recurring profit	-	-	-	-	-	-
RPM	-	-	-	-	-	-
IT Worker Dispatch	-	-	-	-	-	-
YoY	-	-	-	-	-	-
% of recurring profit	-	-	-	-	-	-
RPM	-	-	-	-	-	-

(JPYmm)	FY09/16	FY09/17	FY09/18	FY09/19	FY09/20
	Cons.	Cons.	Cons.	Cons.	Est.
Revenue	8,570	9,894	10,976	12,155	10,930
YoY	12.4%	15.4%	10.9%	10.7%	-10.1%
Media Information	4,130	4,656	4,758	5,106	-
YoY	-	12.7%	2.2%	7.3%	-
% of total revenue	48.2%	47.1%	43.3%	42.0%	-
Recruiting Agency	1,837	2,169	2,451	2,574	-
YoY	-	18.1%	13.0%	5.0%	-
% of total revenue	21.4%	21.9%	22.3%	21.2%	-
New Graduate Media	321	299	322	362	-
YoY	-	-7.0%	7.7%	12.7%	-
% of total revenue	3.7%	3.0%	2.9%	3.0%	-
New Graduate Introduction	104	103	138	163	-
YoY	-	-1.6%	34.1%	18.4%	-
% of total revenue	1.2%	1.0%	1.3%	1.3%	-
IT Worker Dispatch	2,190	2,699	3,342	3,980	-
YoY	-	23.3%	23.8%	19.1%	-
% of total revenue	25.6%	27.3%	30.5%	32.7%	-
Recurring profit	1,005	1,154	1,166	995	-330
YoY	60.0%	14.8%	1.1%	-14.7%	-
RPM	11.7%	11.7%	10.6%	8.2%	-3.0%
Media Information	437	509	358	171	-
YoY	-	16.5%	-29.7%	-52.2%	-
% of recurring profit	43.5%	44.1%	30.7%	17.2%	-
RPM	10.6%	10.9%	7.5%	3.3%	-
Recruiting Agency	397	424	511	438	-
YoY	-	6.8%	20.5%	-14.3%	-
% of recurring profit	39.5%	36.8%	43.8%	44.0%	-
RPM	21.6%	19.6%	20.9%	17.0%	-
New Graduate Media	64	46	54	62	-
YoY	-	-28.1%	17.4%	14.8%	-
% of recurring profit	6.4%	4.0%	4.6%	6.2%	-
RPM	19.9%	15.4%	16.8%	17.1%	-
New Graduate Introduction	-2	-22	-21	12	-
YoY	-	-	-	-	-
% of recurring profit	-	-	-	1.2%	-
RPM	-	-	-	7.4%	-
IT Worker Dispatch	95	141	172	227	-
YoY	-	48.4%	22.0%	32.0%	-
% of recurring profit	9.5%	12.2%	14.7%	22.8%	-
RPM	4.3%	5.2%	5.1%	5.7%	-

Source: Shared Research based on company data

Notes: Figures used in recurring profits broken down by businesses are those calculated for internal management purposes; as such ratios do not sum to 100%.

In FY09/16, the company consolidated the new graduate recruiting support business, formerly handled within the career information business, into the New Graduate Introduction business, and then changed the name of the career information business to the Media Information business.

Recent updates

Highlights

On September 25, 2020, Career Design Center Co., Ltd. (CDC) announced revisions to its earnings and dividend forecasts.

Revised full-year FY09/20 forecast

- ▷ Revenue: JPY10.9bn (previous forecasts were undetermined)
- ▷ Operating loss: JPY330mn
- ▷ Recurring loss: JPY330mn
- ▷ Net loss*: JPY450mn

*Net loss attributable to owners of the parent

Reasoning behind revisions

- ▷ CDC had recast its earnings forecast for FY09/20 as undetermined in view of the difficulty in reasonably calculating the impact to earnings from the COVID-19 pandemic. However, as it is now possible to reasonably project earnings, the company has announced its revised forecast.
- ▷ The number of jobseekers (new job applicants and those seeking to change jobs) has been increasing amid the COVID-19 pandemic, and as a result, CDC has been steadily acquiring new registrants (in both new job applicants and those seeking to change jobs) since April 2020. However, due to the COVID-19 pandemic and resulting economic slowdown, there has been a surge in the number of companies scaling back or suspending recruitment activities, with the ratio of job openings to job applicants dropping to 1.08x in July 2020. As a result, CDC projects revenue to fall severely short of plan on a decrease in the number of corporate clients in the Media Information, Recruiting Agency, and New Graduate Introduction businesses. That said, revenue is trending ahead of plan thanks to efforts to minimize the impact from the pandemic by moving planned events in the New Graduate Media business online, and having dispatch workers in the IT Worker Dispatch business work from home.
- ▷ In terms of costs, CDC is working to reduce advertising expenses and cut personnel and recruiting expenses by suspending its own recruitment activities to offset reduced revenue. However, the drop in revenue has been more prolonged than anticipated due to the extended state of emergency, and profit at each level has also trended below forecast. As a result, the company expects to record its first full-year recurring loss in 10 years since the 2008 global financial crisis brought on by the collapse of the US subprime mortgage market.
- ▷ While the company expects the future outlook to remain uncertain, it notes that the number of companies that resumed recruitment activities has been gradually rising, and the number of job types on job-change websites, *type* and *Onna no Tenshoku*, has been recovering after bottoming out in June 2020.

Revised dividend forecast for FY09/20

CDC considers the return of profits to shareholders an important management issue, and its fundamental policy is to disburse dividends based on operating performance, taking into overall consideration such factors as the need to retain internal reserves and the company's financial status. The company's dividend forecast had been undetermined due to the inability to make reasonable earnings projections, but CDC has now indicated it plans a dividend payment of JPY20 per share in FY09/20 based on its aforementioned dividend policy and officially announced earnings forecast.

On September 2, 2020, Shared Research updated the report following interviews with the company.

On July 31, 2020, the company announced earnings results for Q3 FY09/20; see the results section for details.

For previous releases and developments, please refer to the News and topics section.

Trends and outlook

Quarterly trends and results

Q3 FY09/20 results

Overview

Cumulative (JPYmm)	FY09/18				FY09/19				FY09/20			FY09/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of Est.	FY Est.
Revenue	2,477	5,231	7,988	10,976	2,801	5,882	8,963	12,155	2,962	6,087	8,635	79.0%	10,930
YoY	14.0%	12.0%	10.9%	10.9%	13.1%	12.4%	12.2%	10.7%	5.7%	3.5%	-3.7%		-10.1%
Gross profit	1,574	3,382	5,132	7,119	1,651	3,614	5,530	7,540	1,681	3,569	4,892		
YoY	13.7%	9.9%	7.7%	7.6%	4.9%	6.9%	7.8%	5.9%	1.9%	-1.3%	-11.5%		
GPM	63.5%	64.7%	64.2%	64.9%	58.9%	61.5%	61.7%	62.0%	56.8%	58.6%	56.7%		
SG&A expenses	1,440	2,997	4,480	5,953	1,553	3,211	4,903	6,544	1,595	3,215	4,709		
YoY	13.1%	13.8%	10.5%	9.0%	7.8%	7.2%	9.4%	9.9%	2.8%	0.1%	-4.0%		
SG&A ratio	58.1%	57.3%	56.1%	54.2%	55.4%	54.6%	54.7%	53.8%	53.9%	52.8%	54.5%		
Operating profit	133	384	652	1,166	98	403	627	995	86	354	183	-	-330
YoY	19.8%	-13.1%	-7.8%	1.1%	-26.1%	4.9%	-3.8%	-14.7%	-12.3%	-12.3%	-70.9%		-
OPM	5.4%	7.3%	8.2%	10.6%	3.5%	6.9%	7.0%	8.2%	2.9%	5.8%	2.1%		-3.0%
Recurring profit	134	386	654	1,170	105	410	636	1,003	88	359	202	-	-330
YoY	19.6%	-13.3%	-8.0%	1.0%	-21.5%	6.2%	-2.7%	-14.3%	-16.2%	-12.4%	-68.2%		-
RPM	5.4%	7.4%	8.2%	10.7%	3.8%	7.0%	7.1%	8.3%	3.0%	5.9%	2.3%		-3.0%
Net income	82	250	431	803	66	272	489	721	55	238	125	-	-450
YoY	17.1%	-15.0%	-7.5%	0.0%	-19.3%	8.8%	13.4%	-10.2%	-17.6%	-12.6%	-74.4%		-
Net margin	3.3%	4.8%	5.4%	7.3%	2.4%	4.6%	5.5%	5.9%	1.8%	3.9%	1.4%		-4.1%

Quarterly (JPYmm)	FY09/18				FY09/19				FY09/20		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	2,477	2,754	2,757	2,988	2,801	3,080	3,081	3,192	2,962	3,125	2,548
YoY	14.0%	10.2%	8.8%	11.0%	13.1%	11.8%	11.8%	6.8%	5.7%	1.4%	-17.3%
Gross profit	1,574	1,808	1,750	1,987	1,651	1,964	1,916	2,010	1,681	1,887	1,323
YoY	13.7%	6.9%	3.6%	7.5%	4.9%	8.6%	9.5%	1.2%	1.9%	-3.9%	-30.9%
GPM	63.5%	65.6%	63.5%	66.5%	58.9%	63.8%	62.2%	63.0%	56.8%	60.4%	51.9%
SG&A expenses	1,440	1,557	1,483	1,473	1,553	1,659	1,692	1,641	1,595	1,620	1,494
YoY	13.1%	14.4%	4.3%	4.8%	7.8%	6.5%	14.1%	11.5%	2.8%	-2.4%	-11.7%
SG&A ratio	58.1%	56.5%	53.8%	49.3%	55.4%	53.9%	54.9%	51.4%	53.9%	51.8%	58.6%
Operating profit	133	251	268	514	98	305	224	368	86	267	-171
YoY	19.8%	-24.2%	1.1%	15.1%	-26.1%	21.4%	-16.4%	-28.4%	-12.3%	-12.2%	-
OPM	5.4%	9.1%	9.7%	17.2%	3.5%	9.9%	7.3%	11.5%	2.9%	8.6%	-
Recurring profit	134	252	268	516	105	305	227	367	88	271	-157
YoY	19.6%	-24.3%	0.8%	15.4%	-21.5%	20.9%	-15.5%	-28.9%	-16.2%	-11.1%	-
RPM	5.4%	9.2%	9.7%	17.3%	3.8%	9.9%	7.4%	11.5%	3.0%	8.7%	-
Net income	82	168	181	372	66	206	217	232	55	183	-113
YoY	17.1%	-25.0%	5.2%	10.3%	-19.3%	22.5%	19.7%	-37.5%	-17.6%	-11.0%	-
Net margin	3.3%	6.1%	6.6%	12.4%	2.4%	6.7%	7.0%	7.3%	1.8%	5.9%	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

- ▷ Cumulative Q3 FY09/20 revenue was JPY8.6bn (-3.7% YoY), below the company's previous targets before it decided to designate its earnings forecast undetermined. Revenue from the Media Information and New Graduate Introduction businesses came in significantly below plan. The company says Q3 earnings were not as bad as it anticipated when it reported Q2 results (when it designated its earnings forecast undetermined).
- ▷ Cumulative Q3 FY09/20 operating profit was JPY183mn (-70.9% YoY), recurring profit was JPY202mn (-68.2% YoY), and net income attributable to owners of the parent was JPY125mn (-74.4% YoY). Although the company implemented company-wide cost cutting measures, including reducing advertising expenses and scaling down hiring, this was not enough to offset the decline in revenue. The company posted a quarterly recurring loss for the first time in nine years since Q3 FY09/11, when the Great East Japan Earthquake affected the company.

- ▷ The company continued to leave its FY09/20 earnings and dividend forecasts undetermined. Moving forward, the company maintains that it will continue to conduct business while closely monitoring the impact of the COVID-19 pandemic and associated economic trends, and that it will promptly announce changes to its earnings forecast when it is capable of making reasonable projections.
- ▷ The company expects the drop in revenue to be more prolonged than it had anticipated on April 30 (as of Q2 results announcement). As in Q3, the company expects revenue recovery to take some time for its Media Information and New Graduate Introduction businesses. Additionally, CDC expects Q4 revenue to be lower than Q3 as the number of active placements in the Recruiting Agency business trended lower in Q3.
- ▷ Meanwhile, the company is working to cut costs by about JPY200mn compared to its 2H plan before switching to undetermined earnings forecast, mainly through reducing advertising expenses, personnel and recruiting expenses (by suspending hiring). Cost cutting has increased by around JPY100mn since the company reported Q2 results, but it plans to achieve this largely by cutting advertising expenses in Q4. Since registrations and applications in the Media Information business are trending steady, the company says it can obtain ample registrations and applications even if it cuts its advertising expenses. However, even if cost cutting goes according to plan, the company expects to post a recurring loss in Q4 as it did in Q3. The company also anticipates to post a full-year recurring loss for the first time in a decade since 2008 global financial crisis.
- ▷ In May 2020, the company increased its commitment line agreement with MUFG Bank, Ltd. by JPY2.0bn, bringing the total borrowing limit to JPY2.5bn.

Overview by business

Cumulative (JPYmn)	FY09/18				FY09/19				FY09/20		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	2,477	5,231	7,988	10,975	2,801	5,882	8,963	12,155	2,962	6,087	8,635
YoY	14.0%	12.0%	10.9%	10.9%	13.1%	12.4%	12.2%	10.7%	5.7%	3.5%	-3.7%
Media Information	1,063	2,349	3,447	4,758	1,066	2,462	3,649	5,106	1,082	2,358	2,883
YoY	8.1%	8.5%	3.5%	2.2%	0.3%	4.8%	5.9%	7.3%	1.5%	-4.2%	-21.0%
% of total	42.9%	44.9%	43.2%	43.4%	38.1%	41.9%	40.7%	42.0%	36.5%	38.7%	33.4%
Recruiting Agency	562	1,161	1,803	2,451	646	1,283	2,038	2,574	633	1,281	1,985
YoY	17.0%	11.1%	11.8%	13.0%	15.1%	10.6%	13.0%	5.0%	-2.1%	-0.2%	-2.6%
% of total	22.7%	22.2%	22.6%	22.3%	23.1%	21.8%	22.7%	21.2%	21.4%	21.1%	23.0%
New Graduate Media	76	155	246	322	88	177	287	362	124	221	340
YoY	2.9%	-1.2%	7.3%	7.7%	16.5%	13.9%	16.7%	12.7%	39.9%	25.0%	18.4%
% of total	3.1%	3.0%	3.1%	2.9%	3.2%	3.0%	3.2%	3.0%	4.2%	3.6%	3.9%
New Graduate Introduction	13	31	81	138	23	50	99	163	8	37	77
YoY	-11.5%	25.7%	38.2%	34.1%	78.8%	64.3%	21.7%	18.4%	-66.2%	-26.9%	-22.4%
% of total	0.5%	0.6%	1.0%	1.3%	0.8%	0.9%	1.1%	1.3%	0.3%	0.6%	0.9%
IT Worker Dispatch	772	1,550	2,435	3,342	987	1,927	2,914	3,980	1,122	2,189	3,374
YoY	22.8%	19.8%	21.9%	23.8%	27.9%	24.3%	19.7%	19.1%	13.7%	13.6%	15.8%
% of total	31.2%	29.6%	30.5%	30.5%	35.2%	32.8%	32.5%	32.7%	37.9%	36.0%	39.1%

Quarterly (JPYmn)	FY09/18				FY09/19				FY09/20		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	2,477	2,754	2,757	2,987	2,801	3,080	3,081	3,192	2,962	3,125	2,548
YoY	14.0%	10.2%	8.8%	11.0%	13.1%	11.8%	11.8%	6.9%	5.7%	1.4%	-17.3%
Media Information	1,063	1,286	1,098	1,311	1,066	1,396	1,187	1,458	1,082	1,276	525
YoY	8.1%	8.8%	-5.7%	-1.1%	0.3%	8.5%	8.1%	11.2%	1.5%	-8.6%	-55.8%
% of total	42.9%	46.7%	39.8%	43.9%	38.1%	45.3%	38.5%	45.7%	36.5%	40.8%	20.6%
Recruiting Agency	562	599	642	648	646	637	754	536	633	648	704
YoY	17.0%	6.1%	13.0%	16.5%	15.1%	6.3%	17.4%	-17.3%	-2.1%	1.8%	-6.7%
% of total	22.7%	21.8%	23.3%	21.7%	23.1%	20.7%	24.5%	16.8%	21.4%	20.7%	27.6%
New Graduate Media	76	80	91	75	88	89	110	75	124	98	119
YoY	2.9%	-4.7%	25.6%	9.0%	16.5%	11.5%	21.5%	-0.5%	39.9%	10.1%	7.9%
% of total	3.1%	2.9%	3.3%	2.5%	3.2%	2.9%	3.6%	2.4%	4.2%	3.1%	4.7%
New Graduate Introduction	13	18	51	56	23	27	49	64	8	29	40
YoY	-11.5%	81.2%	47.1%	28.5%	78.8%	53.8%	-3.8%	13.7%	-66.2%	6.5%	-17.8%
% of total	0.5%	0.3%	0.6%	0.5%	0.8%	0.5%	0.5%	0.5%	0.3%	0.5%	0.5%
IT Worker Dispatch	772	778	884	908	987	940	988	1,065	1,122	1,067	1,185
YoY	22.8%	16.9%	25.9%	29.3%	27.9%	20.7%	11.7%	17.4%	13.7%	13.6%	20.0%
% of total	31.2%	28.3%	32.1%	30.4%	35.2%	30.5%	32.0%	33.4%	37.9%	34.1%	46.5%

Source: Shared Research based on company data
 Note: Figures may differ from company materials due to differences in rounding methods.

Media Information business

- ▷ Cumulative Q3 FY09/20 revenue was JPY2.9bn (-21.0% YoY), significantly below forecast.
- ▷ Revenue from business targeting engineers fell 9.2% YoY. Revenue from business targeting salespeople decreased 19.3% YoY. Revenue from business targeting the female market was down 26.7% YoY. Q3 revenue was down sharply in all business lines. Job listings were most affected by the spread of COVID-19 as it requires upfront spending. Business targeting engineers was relatively minimally affected, while business targeting the female market was more heavily affected since it includes the retail and service industries that are more susceptible to the effects of requests to avoid unnecessary outings.
- ▷ Billing rates were not conspicuously affected as of Q3, and the decline in revenue is mostly due to the decrease in the number of corporate customers. Put another way, companies that continued hiring generally did not downgrade their job opening ads, but a substantial number of companies either froze or postponed recruitment.
- ▷ The company says that monthly revenue bottomed out YoY in May and have been reviving since June.
- ▷ Event cancellations drove down Q3 revenue by around JPY140mn.
- ▷ In terms of attracting job applicants, despite cutting advertising expenses, the company reported a steady rise in the number of registrants and applicants for *type* and *Onna no Tenshoku type* (site targeting women) thanks to enhancements to its

smartphone apps and AI-based job listing recommendation functions. The company says registrations and applications tend to pick up when the economy is slow, and that they were brisk in July 2020 as well, particularly among the younger generation.

Recruiting Agency business

- ▷ Cumulative Q3 FY09/20 revenue was JPY2.0bn (-2.6% YoY), in line with forecast. The impact on revenue tends to lag a slump in the hiring environment since there is often a two to three-month lead time between active placement and the new employee's starting date, i.e. when revenue is recorded.
- ▷ Growth in the number of active placements slowed down due to some job listings being closed as companies curbed their hiring and tightened hiring requirements.
- ▷ New registrations slowed somewhat amid intensified competition and fell short of the company's target. However, it obtained an ample number of registrations, and the company says the problems lie in matching and the drop in job openings.

New Graduate Media business

- ▷ Cumulative Q3 FY09/20 revenue was JPY340mn (+18.4% YoY), above forecast.
- ▷ As of Q3 results announcement, there were no major changes in companies' planned hiring for students set to graduate in March 2022. Additionally, the company steadily attracted job applicants by holding its Tokyo and Kansai events for students online, which led to an increase in the number of corporate clients. The company says that, as of July 2020, many companies have maintained their plans to hire fresh March 2022 graduates so as to avoid excessive age imbalance in their workforces.
- ▷ Sales were firm for individual seminars to match the specific hiring needs of companies seeking employees.
- ▷ The company held several events online, which all went well.

New Graduate Introduction business

- ▷ Cumulative Q3 FY09/20 revenue was JPY77mn (-22.4% YoY), significantly below forecast.
- ▷ In addition to a decrease in companies' planned hiring for students set to graduate in March 2021, recruitment schedules were delayed overall.

IT Worker Dispatch business

- ▷ Cumulative Q3 FY09/20 revenue was JPY3.4bn (+15.8% YoY), above forecast.
- ▷ The company strengthened efforts to garner contracts, particularly for engineers, but the number of dispatch workers fell as the spread of COVID-19 led to a decline in projects, resulting in fewer newly dispatched staff.
- ▷ On the other hand, the company was able to curb the drop in revenue by switching its dispatch staff to telecommuting, and the equal pay for equal work policy enacted in April raised hourly wages for dispatch workers.
- ▷ The number of new registrations was solid.

For details on previous quarterly and annual results, please refer to the Historical financial statements section.

Full-year FY09/20 company forecast

(JPYmn)	FY09/18			FY09/19			FY09/20		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
Revenue	5,231	5,745	10,976	5,882	6,273	12,155	6,087	4,843	10,930
YoY	12.0%	10.0%	10.9%	12.4%	9.2%	10.7%	3.5%	-22.8%	-10.1%
Cost of revenue	1,849	2,008	3,857	2,267	2,348	4,615	2,518		
Gross profit	3,382	3,737	7,119	3,614	3,925	7,540	3,569		
GPM	64.7%	65.0%	64.9%	61.5%	62.6%	62.0%	58.6%		
SG&A expenses	2,998	2,955	5,953	3,211	3,333	6,544	3,215		
SG&A ratio	57.3%	51.4%	54.2%	54.6%	53.1%	53.8%	52.8%		
Operating profit	384	782	1,166	403	592	995	354	-684	-330
YoY	-13.1%	9.9%	1.1%	4.9%	-24.3%	-14.7%	-12.3%	-	-
OPM	7.3%	13.6%	10.6%	6.9%	9.4%	8.2%	5.8%	-14.1%	-3.0%
Recurring profit	386	784	1,170	410	593	1,003	359	-689	-330
YoY	-13.3%	9.9%	1.0%	6.2%	-24.3%	-14.3%	-12.4%	-	-
RPM	7.4%	13.6%	10.7%	7.0%	9.5%	8.3%	5.9%	-14.2%	-3.0%
Net income	250	553	803	272	449	721	238	-688	-450
YoY	-15.0%	8.6%	0.0%	8.8%	-18.7%	-10.2%	-12.6%	-	-
Net margin	4.8%	9.6%	7.3%	4.6%	7.2%	5.9%	3.9%	-14.2%	-4.1%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Revised earnings and dividend forecasts (September 25, 2020)

Revised full-year FY09/20 forecast

- ▷ Revenue: JPY10.9bn (previous forecasts were undetermined)
- ▷ Operating loss: JPY330mn
- ▷ Recurring loss: JPY330mn
- ▷ Net loss*: JPY450mn

*Net loss attributable to owners of the parent

Reasoning behind revisions

- ▷ CDC had recast its earnings forecast for FY09/20 as undetermined in view of the difficulty in reasonably calculating the impact to earnings from the COVID-19 pandemic. However, as it is now possible to reasonably project earnings, the company has announced its revised forecast.
- ▷ The number of jobseekers (new job applicants and those seeking to change jobs) has been increasing amid the COVID-19 pandemic, and as a result, CDC has been steadily acquiring new registrants (in both new job applicants and those seeking to change jobs) since April 2020. However, due to the COVID-19 pandemic and resulting economic slowdown, there has been a surge in the number of companies scaling back or suspending recruitment activities, with the ratio of job openings to job applicants dropping to 1.08x in July 2020. As a result, CDC projects revenue to fall severely short of plan on a decrease in the number of corporate clients in the Media Information, Recruiting Agency, and New Graduate Introduction businesses. That said, revenue is trending ahead of plan thanks to efforts to minimize the impact from the pandemic by moving planned events in the New Graduate Media business online, and having dispatch workers in the IT Worker Dispatch business work from home.
- ▷ In terms of costs, CDC is working to reduce advertising expenses and cut personnel and recruiting expenses by suspending its own recruitment activities to offset reduced revenue. However, the drop in revenue has been more prolonged than anticipated due to the extended state of emergency, and profit at each level has also trended below forecast. As a result, the company expects to record its first full-year recurring loss in 10 years since the 2008 global financial crisis brought on by the collapse of the US subprime mortgage market.

- ▷ While the company expects the future outlook to remain uncertain, it notes that the number of companies that resumed recruitment activities has been gradually rising, and the number of job types on job-change websites, *type* and *Onna no Tenshoku*, has been recovering after bottoming out in June 2020.

Revised dividend forecast for FY09/20

CDC considers the return of profits to shareholders an important management issue, and its fundamental policy is to disburse dividends based on operating performance, taking into overall consideration such factors as the need to retain internal reserves and the company's financial status. The company's dividend forecast had been undetermined due to the inability to make reasonable earnings projections, but CDC has now indicated it plans a dividend payment of JPY20 per share in FY09/20 based on its aforementioned dividend policy and officially announced earnings forecast.

Company forecast as of Q3 results announcement (July 31, 2020)

The company continued to leave its FY09/20 earnings and dividend forecasts undetermined. Moving forward, the company maintains that it will continue to conduct business while closely monitoring the impact of the COVID-19 pandemic and associated economic trends, and that it will promptly announce changes to its earnings forecast when it is capable of making reasonable projections.

- ▷ Although there have been no major changes in trends among job seekers (new job applicants and those seeking to change jobs) due to the spread of COVID-19, and the company continues to record a steady increase in registrants. However, companies seeking employees have suspended or scaled back recruitment activities.
- ▷ The company expects the drop in revenue to be more prolonged than it had anticipated on April 30 (as of Q2 results announcement). As in Q3, the company expects revenue recovery to take some time for its Media Information and New Graduate Introduction businesses. Additionally, CDC expects Q4 revenue to be lower than Q3 as the number of active placements in the Recruiting Agency business trended lower in Q3.
- ▷ Meanwhile, the company is working to cut costs by about JPY200mn compared to its 2H plan before switching to undetermined earnings forecast, mainly through reducing advertising expenses, personnel and recruiting expenses (by suspending hiring). Cost cutting has increased by around JPY100mn since the company reported Q2 results, but it plans to achieve this largely by cutting advertising expenses in Q4. Since registrations and applications in the Media Information business are trending steady, the company says it can obtain ample registrations and applications even if it cuts its advertising expenses. However, even if cost cutting goes according to plan, the company expects to post a recurring loss in Q4 as it did in Q3. The company also anticipates to post a full-year recurring loss for the first time in a decade since 2008 global financial crisis.
- ▷ In May 2020, the company increased its commitment line agreement with MUFG Bank, Ltd. by JPY2.0bn, bringing the total borrowing limit to JPY2.5bn.
- ▷ The staffing service business has a business model that is susceptible to economic fluctuation, and revenue has historically tended to decline during times of economic crisis or recession, but as the economy starts to recover and companies become eager to hire again, earnings have recovered and achieved even further growth. The company noted that it cannot control the external environment, so instead it will focus on creating good products and services for the users so that it can remain competitive when businesses start to recover from the downturn caused by the COVID-19 pandemic.

Supplementary information on business segment outlooks

- ▷ The impact on revenue tends to lag a slump in the hiring environment since there is often a two to three-month lead time between active placement and the new employee's starting date, i.e. when revenue is recorded. Considering the state of active placements in Q3, revenue in the Recruiting Agency business in Q4 is expected to decline.

- ▷ The company takes a conservative view on its outlook for the New Graduate Introduction business in Q3.
- ▷ In the IT Worker Dispatch business, as of July 2020 there have not been many contracts coming to an end with existing customers, and in most cases workers whose contracts have been ended already have a new dispatch assignment lined up, so the slump in the hiring environment is expected to have only a minor impact.

Company forecast as of 1H results announcement (April 30, 2020)

On April 30, 2020, CDC revised its FY09/20 earnings and dividend forecasts, indicating recasting them as “undetermined.” The company indicates that achieving projections in its initial earnings forecast will be difficult and that predicting the impact of the COVID-19 pandemic is currently problematic. Moving forward, the company maintains that it will continue to conduct business while closely monitoring the impact of the pandemic and associated economic trends and that it will promptly announce changes to its earnings forecast when it is capable of making reasonable projections. The company commented that it would announce its FY09/20 dividend forecast at a later date when it is able to release its FY09/20 earnings forecast. Its outlook and comments on its operating environment are as follows:

- ▷ The impact of the COVID-19 pandemic varies between businesses, but based on April orders and the likelihood of event cancellations in Q3, the company expects a steep decline in Q3 revenue. Although it will cut back on costs, including advertising expenses, the company anticipates that it will record a recurring loss in Q3. As of April 30, 2020, the company does not expect to record a recurring loss for the full year. These predictions are based on the company's assumptions as of April 30 (note: the emergency period extension to May 31 was declared on May 4, after the company's earnings announcement). Earnings results in 1H FY09/20 were largely in line with its forecast.
- ▷ There has been no change in trends among job seekers (new job applicants and those seeking to change jobs), and the company continues to record a steady increase in registrants. However, recruiting companies have suspended or scaled back recruitment activities since February 2020 because of the difficulty of making earnings plans amid the spread of COVID-19. This trend accelerated after a state of emergency was declared in Japan on April 7, 2020.
- ▷ The company expects a sharp downturn in revenue related to recruiting fairs and job-changing events, because it cancelled a job-changing event scheduled for April 2020 and prospects for holding events later in the year remain uncertain. Revenues in the Media Information, Recruiting Agency, New Graduate Introduction, and New Graduate Media businesses are also likely to decline sharply due to companies' reluctance to hire new employees. The company's April orders were worse than in March, and May revenue is expected to fall significantly as a result.
- ▷ The company plans to cut advertising costs by about JPY40mn in Q3 compared to plan. To ensure that it does not miss out on recovery demand, the company plans to ramp up advertising spend in Q4 FY09/20 in a phased manner while considering order conditions and applications counts. Depending on the circumstances, the company may spend in line with plan. For 2H FY09/20, the company expects to cut advertising costs by about JPY50-100mn compared to the initial plan.
- ▷ The company suspended mid-career hiring for FY09/20. As a result, it expects to reduce recruitment and personnel costs by about JPY100mn combined.
- ▷ Based on experiences from the global financial crisis, the company has made sure it has enough working capital to withstand a significant near-term revenue decline.
- ▷ Cash and deposits at the end of March 2020 totaled JPY3.1bn. Thus, the risk of a major disruption to business activities is minimal in the short term. The company concluded a commitment line contract with MUFG Bank, Ltd. with a maximum drawdown of JPY500mn.
- ▷ The company noted that it cannot control the external environment, so instead it will focus on creating good products and services for the users so that it can remain competitive when businesses start to recover from the downturn caused by the COVID-19 pandemic.

2H FY09/20 forecast by business

In light of the spread of COVID-19, the company gave the following 2H outlook for its businesses as of the end of April 2020. It should be noted that expectations may change significantly depending on the future spread of the infection.

Media Information business

- ▷ 2H FY09/20 revenue is unlikely to reach initial target and will likely be significantly lower YoY.
- ▷ Regarding project unit prices, some of the high unit price offerings may be affected, and the overall average unit price may decline because of changes in the sales mix. On the other hand, the company expects unit prices of many products to remain unchanged.
- ▷ If the company secured an event venue and cancels the event, it will have zero event-related revenue, but will still be required to pay the event venue fee. There is still a possibility that the company will need to cancel events after June 2020.

Recruiting Agency business

- ▷ The company expects minimal impact on revenue through Q3 FY09/20, but it believes 2H revenue may be lower than initial plan, depending on orders received in Q3.
- ▷ As for the success fee percentage per contract, the company expects no change.

New Graduate Media business

- ▷ With joint recruiting sessions moving online, the company will be required to pay fees for event venues that it decided not to use. However, it will still be able to hold events, so the impact on revenue is expected to be minimal. As such, the company believes it may be able to reach the initial target.

New Graduate Introduction business

- ▷ The company noted that it would be difficult to achieve the initial 2H revenue target, but that revenue could surpass previous year's level in Q4 and beyond as recruitment activities by companies have been pushed back. Matching is expected to be increasingly difficult due to a decline in the number of new companies looking to hire.

IT Worker Dispatch business

- ▷ The company expects the impact of COVID-19 on 2H revenue to be slower than in other businesses, but believes there is still a possibility it will miss the initial target. The IT Worker Dispatch involves expanding the number of dispatch staff and is also a job category where teleworking is relatively easy. Hence, the company believes the impact of COVID-19 will be smaller than in other businesses.
- ▷ In the IT Worker Dispatch business, dispatched staff have switched to teleworking, with few cases of them being asked to stand by at home or laid off due to early termination of contracts. However, new contract acquisitions have slowed and the risk remains of a revenue slump and cost increase associated with dispatched staff being told to stand by at home.
- ▷ As many IT dispatch contracts are renewed every three months, there are many contracts due for renewal at the end of June. In the event a client's contract temporarily expires, the company is considering maintaining its contracts with temporary workers by paying 60% of the compensation for lost work time. The reason for this is that once the relationship with temporary workers are severed, it becomes difficult to attract workers who can be dispatched to meet recovery demand. Hence, the company decided it is better to maintain long-term relationships with temporary workers even if it incurs costs in the near term.

Reference: Initial outlook before earnings forecast revision

For FY09/20, the company forecasts revenue of JPY13.1bn (+8.1% YoY), operating profit of JPY1.3bn (+25.6% YoY), recurring profit of JPY1.3bn (+24.6% YoY), and net income attributable to owners of the parent of JPY862mn (+19.5% YoY).

- ▷ CDC believes the rebuilding of the Recruiting Agency business will take time and expects results to appear from 2H FY09/20 through FY09/21. FY09/20 full-year forecast thus reflects earnings that are skewed towards the second half: higher revenue and lower profit in 1H; increased revenue and profit for the full year. Recent monthly sales for October 2019 were strong.
- ▷ The company plans to control advertising expenses and run effective advertising operations. Previously planned advertisement costs of JPY1.4bn for the Media Information business have been streamlined to JPY1.2bn in the FY09/20 full-year plan. While additional advertisement spending is possible depending on the business environment, plans are to decrease advertisement on a YoY basis to streamline operations.
- ▷ It expects higher personnel costs due to an increase in staff, but will continue to control other costs.

By business

(JPYmn)	FY09/16	FY09/17	FY09/18	FY09/19	FY09/20
	Cons.	Cons.	Cons.	Cons.	Est.
Revenue	8,570	9,894	10,976	12,155	13,144
YoY	12.4%	15.4%	10.9%	10.7%	8.1%
Media Information	4,130	4,656	4,758	5,106	5,350
YoY	-	12.7%	2.2%	7.3%	4.8%
% of total revenue	48.2%	47.1%	43.3%	42.0%	40.7%
Recruiting Agency	1,837	2,169	2,451	2,574	2,750
YoY	-	18.1%	13.0%	5.0%	6.8%
% of total revenue	21.4%	21.9%	22.3%	21.2%	20.9%
New Graduate Media	321	299	322	362	375
YoY	-	-7.0%	7.7%	12.7%	3.5%
% of total revenue	3.7%	3.0%	2.9%	3.0%	2.9%
New Graduate Introduction	104	103	138	163	165
YoY	-	-1.6%	34.1%	18.4%	1.3%
% of total revenue	1.2%	1.0%	1.3%	1.3%	1.3%
IT Worker Dispatch	2,190	2,699	3,342	3,980	4,540
YoY	-	23.3%	23.8%	19.1%	14.1%
% of total revenue	25.6%	27.3%	30.5%	32.7%	34.5%
Recurring profit	1,005	1,154	1,166	995	1,250
YoY	60.0%	14.8%	1.1%	-14.7%	25.6%
RPM	11.7%	11.7%	10.6%	8.2%	9.5%
Media Information	437	509	358	171	466
YoY	-	16.5%	-29.7%	-52.2%	172.5%
% of recurring profit	43.5%	44.1%	30.7%	17.2%	37.3%
RPM	10.6%	10.9%	7.5%	3.3%	8.7%
Recruiting Agency	397	424	511	438	470
YoY	-	6.8%	20.5%	-14.3%	7.3%
% of recurring profit	39.5%	36.8%	43.8%	44.0%	37.6%
RPM	21.6%	19.6%	20.9%	17.0%	17.1%
New Graduate Media	64	46	54	62	72
YoY	-	-28.1%	17.4%	14.8%	16.1%
% of recurring profit	6.4%	4.0%	4.6%	6.2%	5.8%
RPM	19.9%	15.4%	16.8%	17.1%	19.2%
New Graduate Introduction	-2	-22	-21	12	8
YoY	-	-	-	-	-33.3%
% of recurring profit	-	-	-	1.2%	0.6%
RPM	-	-	-	7.4%	4.8%
IT Worker Dispatch	95	141	172	227	233
YoY	-	48.4%	22.0%	32.0%	2.6%
% of recurring profit	9.5%	12.2%	14.7%	22.8%	18.6%
RPM	4.3%	5.2%	5.1%	5.7%	5.1%

Source: Shared Research based on company data

Media Information business

The company forecasts Media Information business revenue of JPY5.3bn (+4.8% YoY) and recurring profit of JPY466mn (+172.5% YoY). Achievement of the large recurring profit growth is planned through rationalization of advertisement costs that had increased in FY09/19.

- ▷ New member registration and improvement in the number of job applications will continue to be a priority. The company aims to increase new member registration by using cost effective advertising campaigns like online advertisements and transportation advertisements. Additionally, the company plans to increase the number of job applicants by enhancing its smartphone app and developing new functionalities to improve product appeal.
- ▷ CDC plans to improve advertising and product appeal for *Onna no Tenshoku type* (site targeting women) as well. As female use of its smartphone app is comparatively high, the company released a newly developed smartphone app for *Onna no Tenshoku type* in October 2019. In FY09/20 plans are to continue to improve the app while ramping up advertising spending for *Onna no Tenshoku type* to roughly 20% of the Media Information total.
- ▷ The sales structure was revamped to improve productivity, shifting part of new business development from an area-based to an account-based organization.

Recruiting Agency business

In the Recruiting Agency business, CDC forecasts a FY09/20 revenue of JPY2.8bn (+6.8% YoY) and recurring profit of JPY470mn (+7.3% YoY) in FY09/20. The company will focus on improving organizational strength and business performance in FY09/20.

- ▷ The company will revise recruitment focus area, enforce thorough organizational information sharing, and improve matching for jobseekers.
- ▷ In addition to further strengthening the company's core market serving engineers, salespeople, and women, CDC will target the middle tier of high-income earners (JPY6–8mn salary range) and strengthen job change support.
- ▷ The company plans to limit mid-career hires while enhancing education and training for managers and junior employees to rebuild its organizational structure. Further to strengthen senior management structure, Director Tomohiko Kawakami, previously in charge of the media sales division, will oversee the Recruiting Agency business. The company believes he has sufficiently trained staff at his former post, so that this move will not have a negative impact on performance in media sales. CDC plans to bring down the number of salespersons per manager to six.
- ▷ Recruiting Agency business will increase coordination with *type*, the company's career-change site to build up its ability to attract new registrants in the IT sector.
- ▷ CDC will improve workflow by taking measures such as increasing matching accuracy through renewed operational systems.

New Graduate Media business

The company forecasts a FY09/20 revenue of JPY375mn (+3.5% YoY) and recurring profit of JPY72mn (+16.1% YoY).

- ▷ In addition to large events, CDC intends to increase the number of transactions by focusing on individual seminars to match the specific hiring needs of companies seeking employees and events targeting science/engineering students which the company experimentally started in FY09/18.

New Graduate Introduction business

The company forecasts a FY09/20 revenue of JPY165mn (+1.3% YoY) and recurring profit of JPY8mn (-33.3% YoY).

- ▷ The company aims to increase the number of successful placements by continuing efforts to cultivate projects and register students.

IT Worker Dispatch business

The company forecasts a FY09/20 revenue of JPY4.5bn (+14.1% YoY) and recurring profit of JPY233mn (+2.6% YoY).

- ▷ Costs are expected to increase as labor law changes requiring equal pay for equal work come into effect in April 2020, increasing commuting and other social benefit expenses for employers. The company intends to transfer costs to clients through negotiations. However, its forecast includes a drop in operating profit margin to account for the possibility of a time lag in the price transfer.
- ▷ As competition with full-time employment contracts intensifies, the company cultivates projects with a variety of conditions, such as projects with major companies, high paying projects, and projects that adjusts workstyle to fit the staff's needs. Additionally, CDC plans to regularly check in with staff in order to reduce resignations.

Differences between initial company forecasts and results

Differences between initial company forecasts and results

Results vs. Initial Est. (JPYmm)	FY09/10 Parent	FY09/11 Parent	FY09/12 Parent	FY09/13 Parent	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/18 Cons.	FY09/19 Cons.
Revenue (Initial Est.)	2,435	2,648	3,809	4,841	5,927	7,174	8,766	9,771	11,000	12,140
Revenue (Results)	1,746	2,794	3,986	5,107	6,217	7,621	8,570	9,894	10,976	12,155
Results vs. Initial Est.	-28.3%	5.5%	4.7%	5.5%	4.9%	6.2%	-2.2%	1.3%	-0.2%	0.1%
Operating profit (Initial Est.)	13	35	295	453	610	510	1,000	1,156	1,300	1,000
Operating profit (Results)	-527	182	356	500	737	628	1,005	1,154	1,166	995
Results vs. Initial Est.	-	420.6%	20.7%	10.5%	20.8%	23.2%	0.5%	-0.2%	-10.3%	-0.5%
Recurring profit (Initial Est.)	5	30	300	457	602	503	1,000	1,156	1,300	1,000
Recurring profit (Results)	-525	187	360	502	738	631	1,009	1,158	1,170	1,003
Results vs. Initial Est.	-	524.7%	20.1%	9.8%	22.6%	25.4%	0.9%	0.2%	-10.0%	0.3%
Net income (Initial Est.)	1	15	290	407	532	301	655	739	845	690
Net income (Results)	-529	165	356	426	722	410	675	803	803	721
Results vs. Initial Est.	-	999.2%	22.9%	4.6%	35.7%	36.1%	3.0%	8.6%	-5.0%	4.5%

Source: Shared Research based on company data

Medium-term outlook

CDC discloses its earnings forecast for the medium term. It was targeting revenues of JPY15.0bn and recurring profit of JPY1.5bn for FY09/21. However, due to the spread of COVID-19, the company expects difficulty in achieving initial full-year FY09/20 targets, and plans to revise its FY09/21 targets upon closer examination.

Reference: Views expressed as of March 2020

Since 2013, Japan has experienced a structural imbalance between job offers and jobseekers, with the ratio of job openings to job applicants exceeding 1.0. This situation is likely to persist, given that the country's working-age population continues to decline. Given the imbalance, the company believes revenue will continue to grow over the medium term.

Media Information business providing foundation, Recruiting Agency business driving growth

Over the medium term, the company expects the Media Information, Recruiting Agency, and IT Worker Dispatch businesses to function in an interrelated manner, with the Recruiting Agency business driving growth. The company believes that the Recruiting Agency business, with the highest operating profit margin among the three business lines, can retain its spot as the largest contributor to profit.

In Japan, job-listing media (including paper media) remain one of the most important modes of information when changing jobs. *type*, the career-change website run by CDC's Media Information business, has around 2.0mn monthly unique visitors, making it Japan's top career-change website by this measure. The company also has 3.0mn registered members (jobseekers) who have entered information about their desired job. While the number is fewer than en-japan's en Tenshoku (7.0mn) and Mynavi's Mynavi Tenshoku (4.4mn), CDC's members are distinctive: mainly aged around 30, highly career-oriented, and category-focused (IT, sales, and women). For this reason, the company sees added value in its member data for its potential for matching jobseekers with companies conducting targeted employee searches, which in turn translates to CDC's contract rate.

In the Media Information business, which is the company's current mainstay, CDC earns advertising revenue from companies searching for employees. In exchange, the company guarantees it will run the ads on a specific web page for a certain period of time. Under this model, advertisers incur costs whether or not the ad leads to hiring. Performance-based payments are now becoming mainstream in online advertising, and some job-search sites are adopting this approach. CDC's Recruiting Agency business uses this business model, charging fees based on successful contracts. The company is shifting toward this field, as demand from corporate clients is shifting toward success fees and the company expects the market for the Recruiting Agency business to grow.

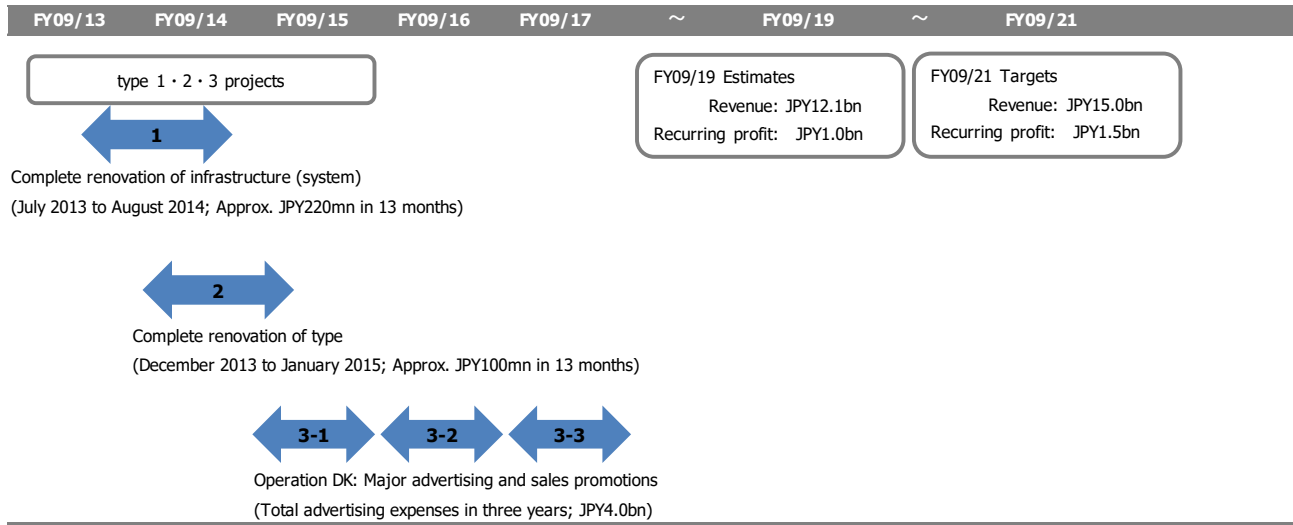
The company accumulates member data via the Media Information business; it can also use this data in the Recruiting Agency and IT Worker Dispatch businesses. Google Analytics and other access analysis tools allow providers of online media to closely analyze the behavior of the people who access their sites. CDC has launched the Media ARP Promotion Bureau (the department that promotes access and responses) to boost its conversion rate (see Media ARP Promotion Bureau in the "Overview by business" section further below). The company thinks leveraging member data and technology will enable it to improve the certainty with which it matches jobseekers and companies seeking employees.

Past project: type1, 2, 3 Project (July 2013 to September 2015)

In the past, CDC launched a project (different from a medium-term management plan) called the type1, 2, 3 Project that ran for nearly two years (July 2013 to September 2015).

Prior to spending JPY4bn on advertising during the three years from FY09/15 to FY09/17, the first stage of this project involved investing around JPY220mn to reconstruct the company's infrastructure (systems) over a 13-month period. During the second 13-month stage, the company spent some JPY100mn for a full-scale overhaul of *type*.

Past projects and medium-term management plans



Source: Shared Research based on company data

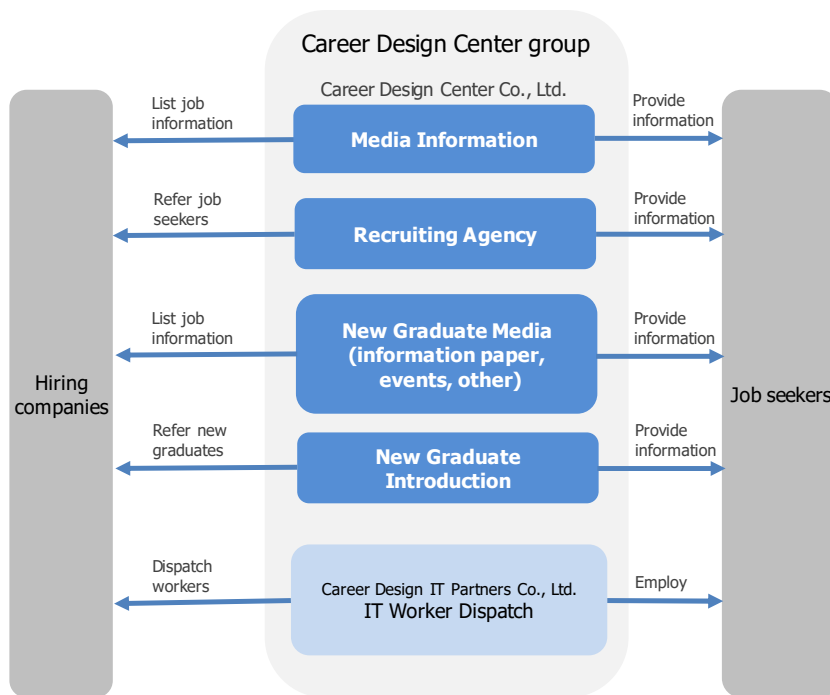
Business

Business model

Businesses, products, and services

Career Design Center (CDC) operates a career-change website. The company was founded by Hiromi Tada, formerly a director of Recruit Co., Ltd. (now Recruit Holdings Co., Ltd. [TSE1: 6098]). The company had 651 employees as of September 30, 2019, and generated FY09/19 revenue of JPY12.2bn. CDC's business is concentrated on the Tokyo metropolitan area and targets highly career-oriented workers aged around 30. Engineers, salespeople, and women are particular focuses. The company offers services such as providing information about job openings for regular employees via five business segments: the Media Information business, the Recruiting Agency business, the New Graduate Media business, the New Graduate Introduction business, and the IT Worker Dispatch business.

Career Design Center's five businesses



Source: Shared Research based on company data

Career Design Center's five businesses

Business	Product category	Services
Media	Career change websites	 Onna no tenshoku type
	Job matching events	 Onna no tenshoku type Tenshoku event
Recruiting Agency	Mid-career job seeker introduction	 Recruiting Tenshoku
New Graduate Media	Events	 New graduate hiring support type Shukatsu
New Graduate Introduction	New graduates introduction	 type Shukatsu Agent
IT Worker Dispatch	IT engineer staffing	 IT Worker Dispatch IT haken

Source: Shared Research based on company data

In the mainstay Media Information business, monthly unique visitors to the career-change website number around 2.0mn. (Data source: Nielsen, in fiscal 2017, using the total number of visits from home and work PCs). Some 3.0mn people change jobs in Japan each year, and job-listing media are one of the most popular routes used to search for work (around 30% of people are hired via job ads).

The company launched the IT Worker Dispatch business in 2010. Temporary staffing makes up a large share of the HR services industry (around 70%, valued at around JPY6tn). However, in the past companies have used temporary staffing as a convenient way to adjust employment levels (terminating temporary workers). The Japanese government has responded by revising the Worker Dispatching Act. CDC has succeeded in expanding its operations while complying with the Worker Dispatching Act, and this business now serves as the company's third pillar of operations (the IT Worker Dispatch business: FY09/19 revenue of JPY4.0bn, or 32.7% of total revenue).

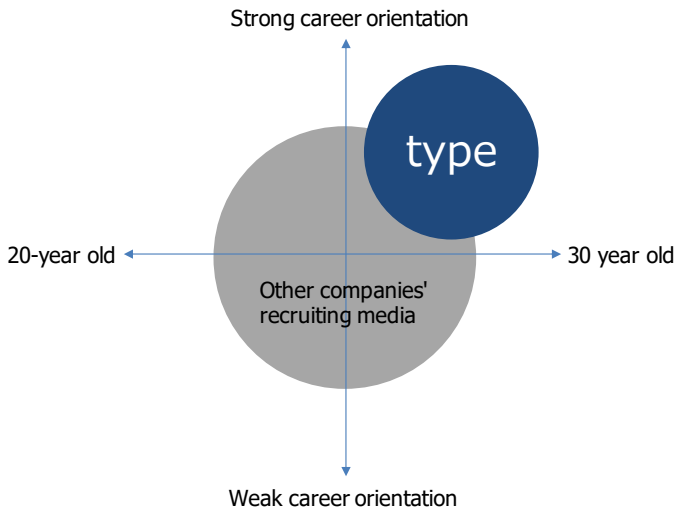
Jobseekers who visit *type*, the career-change website the company operates in the Media Information business, can enter information about the sort of work they are seeking. This data is then matched with jobseeker information in the Recruiting Agency and IT Worker Dispatch businesses. For this reason, the company's top three businesses have become interrelated. In recent years, competition has become more intense as companies use Google Analytics and other access analysis tools to create behavior analysis systems that perform detailed matching between jobseekers and companies seeking employees.

Target market

CDC's business is concentrated on the Tokyo metropolitan area and targets highly career-oriented workers aged around 30. Engineers, salespeople, and women* are particular focuses, and the company's sales efforts emphasize "taking the next step upward." CDC explains that it positions itself as a specialist, whereas competitors are "like department stores." Having a narrowly focused target segment allows the company to concentrate management resources (particularly advertising expenditure) and offer a differentiated lineup of products and services.

*Female labor force (M-shaped curve): Viewed by age group, Japan's labor force resembles an M-shaped curve. Women typically enter the workforce in their 20s upon graduation from university, leave work in their 30s to bear and raise children, and return to the workforce in their 40s. Many women aged 20 to 49 are married with children, and 86% of women who are currently jobless say they wish to have a job in the future (according to a study by Recruit Jobs).

Target segment



Source: Shared Research based on company data

The 2018 Basic Survey on Wage Structure (Ministry of Health, Labour and Welfare) revealed that the vast majority of workers in CDC’s primary target age range—25 to 39 year old career changers—have annual salaries below JPY4mn, including 98% of males aged 25 through 29, and 82% aged 35 to 39; and 99% of females aged 25 through 29, and 95% aged 35 to 39. Meanwhile, only 1.7% of males aged 25 through 29, and 16.9% aged 35 to 39 fall under the company’s target wage range of JPY4–6mn. For females, the shares are 1.0% for those aged 25 to 29, and 4.2% aged 35 to 39. Owing to the fact that this segment is too small for major recruitment agencies to focus on, a smaller player like CDC can distinguish itself in it.

Further, the company has a relatively easy-to-work sales area as the above numbers are national averages and the proportion of workers earning JPY4mn to JPY6mn annually within CDC’s target of the Tokyo metropolitan area is higher than the rest of Japan. As the company’s office is in Tokyo, most of its corporate clients seeking employees are located in the Tokyo metro area. The Tokyo/Kanagawa area has a combined labor force of around 13.0mn people, or roughly 19.0% of Japan’s total labor force (of 69.0mn).

The market for mid-career hiring in the Tokyo metropolitan area is valued at approximately JPY60.0bn, of which CDC’s share (Media Information business) accounts for some 13% (based on a study by the Yano Research Institute). This study forecasts that the value of mid-career hiring in the Tokyo metropolitan area will grow to JPY70.0–80.0bn. The company aims for a 15–17% market share.

Target market environment (labor force and number of people employed [thousands of people] nationwide and in Tokyo and Kanagawa prefectures)

	Labor force					Aged 15 to 64 (of labor force)			Unemployed	Unemployment rate
	('000)	Employed	Male	Female	Employment rate	Male	Female			
Nationwide	69,360	67,680	37,400	30,280	65.2%	60,040	32,870	27,170	1,680	2.5%
Tokyo	8,235	8,053	4,480	3,573	64.4%	-	-	-	198	2.4%
Kanagawa	5,080	4,961	2,856	2,105	61.6%	-	-	-	119	2.7%
Tokyo and Kanagawa	13,315	13,014	7,336	5,678	-	-	-	-	317	-
% of total	19.2%	19.2%	19.6%	18.8%	-	-	-	-	18.9%	-

Nationwide: September 2019 (preliminary), Tokyo: Average for July through September 2019, Kanagawa: Average for 2018

Labor force population: Employed and unemployed at the age of 15 or older

Employed: Combined people at work and on paid leave, employment rate: % of employed versus population aged at 15 or older

Working-age population: Population of those aged 15 through 64 who are able or qualified to work, unemployment rate: unemployed population in proportion to total labor force

Source: Shared Research based on company data and labor force surveys in Tokyo and Kanagawa prefectures

CDC’s target market plans

In order for CDC to achieve sustained growth, it can either expand its target layer of individuals seeking to change jobs or expand the range of occupational categories it handles. It appears the company intends to focus on the former. In addition to the

individuals it already targets in the JPY4–6mn salary range, it also plans to target individuals in the middle zone, with salaries of JPY6–8mn. The middle zone is an even smaller market holding only 0.3% of males aged 25 through 29, and 1.7% aged 35 to 39; and only 0.2% of females aged 25 to 29, and 0.6% aged 35 to 39 (2018 Basic Survey on Wage Structure, Ministry of Health, Labour and Welfare). Nevertheless, as there is increasing industry demand for talent in the middle zone, and particularly through recruiting agencies, CDC will enhance its job-change support efforts for this layer.

An increasing number of job offers in the middle zone are for higher-level positions, including positions approaching management-level positions. For this reason, the company says it will have to change its sales activities, and, rather than simply approaching human resources staff as it has conventionally done, it will need to approach members of management teams.

Sales structure

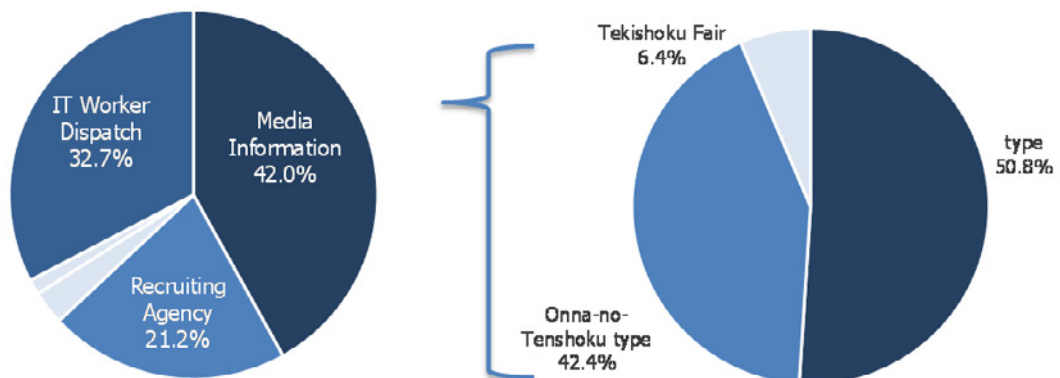
The company was founded by Hiromi Tada, formerly a director of Recruit Co., Ltd. (now Recruit Holdings Co., Ltd. [TSE1: 6098]). The company has inherited Recruit’s sales culture (setting high targets and meeting them goes without saying) and personnel and salary systems (an assessment system that provides four opportunities each year for raises and promotions, as well as high remuneration based on success fees as well as fixed salary). Of the company’s 651 employees, some 390 (more than 60%) are involved in sales.

- ▷ Sales structure differs by segment. As clients use Media Information and Recruiting Agency service in different situations, the nature of their service offerings is different: Media Information focuses on securing a fixed number of recruits each year for clients; Recruiting Agency recruits based on client specific criteria.
- ▷ In the Media Information business, to raise sales productivity, the sales structure has changed from an area-based to an account-based structure.
- ▷ By business, the Media Information business has around 180 salespeople, the Recruiting Agency business has 130 (including career advisors), the IT Worker Dispatch business has 30, and the New Graduate Media and Introduction businesses together have nearly 20. The salespeople are located in the Tokyo-area offices.

Overview by business

The company has five HR service businesses that include providing job-search information for regular employees. (Segment information has been omitted here, as the company has only one reportable segment.)

Sales by business and breakdown of the Media Information business (FY09/19)



Source: Shared Research based on company data

Media Information business

In the Media Information business (FY09/19 revenue of JPY5.1bn, 42.0% of total revenue), the company’s product offerings include web recruitment ads and recruiting fairs.

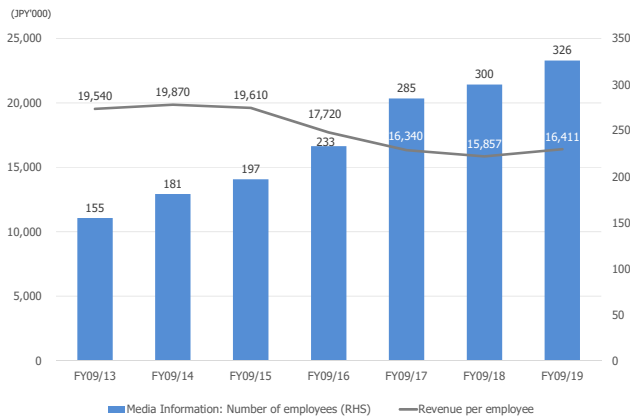
- ▷ A key product in this segment is *type*, a job-change website. Jobseekers can browse free of charge, but must register their information on the site if they wish to apply for a job. Although the Media Information business is not success-based, employer satisfaction affects future orders (and thus revenue). For that reason, key indicators used by CDC's management include the monetary amount of employer orders (figure not disclosed), and the number of jobseekers who are registered or respond to ads (some figures disclosed). Advertising expenditure is also a key metric, as ads affect the future number of registered members and jobseekers.
- ▷ Before increasing advertising expenditures, the company first works to ensure that everything is being done to maximize effectiveness at current levels, eliminating bottlenecks that might stem the increase in the number of registrants and applicants.
- ▷ In addition to advertising, the company releases career-related articles and seeks to form a community and support base among the businesspeople who are likely to become customers in the future.
- ▷ The company notes that around 60–70% of people access jobseeker sites via smartphone, and the remaining 30–40% from PCs. The company provides a smartphone app for *type*, and applications come mainly via this route. Further, the company developed and released a smartphone app for *Onna no Tenshoku type* (site targeting women) in October 2019, as smartphone usage is high among females.
- ▷ The company has data on 3.0mn registered members (as of September 30, 2019), with roughly 60% of these falling within the company's target age range of 25–39.
- ▷ CDC says the cost of attracting a single registered user is JPY20,000 and rising, due to increasing competition. To counter this pressure on margins, the company is striving to cut costs and raise efficiencies elsewhere to prevent overall profit levels from falling.
- ▷ In addition to registering on the company website, job seekers can register with the company's site through bulk registration sites which enable them to simultaneously register with multiple websites. While registration through bulk registration sites enables the company to access users that it would not otherwise reach, it also leads to a higher number of registrants simultaneously using services other than the company's services. In principle, there is a risk that even if the number of registrants increases, this does not necessarily lead to an increase in the number of job applicants. Currently, therefore, the company's policy is to increase the number of registrants without relying too much on bulk registration sites.
- ▷ The company gathers data on registered members mainly for use in the job ad media in the Media Information business, but as long as the jobseekers themselves agree, the company can also use this information in the Recruiting Agency and IT Worker Dispatch businesses. Synergies with the IT Worker Dispatch business are somewhat limited, however, as the Media Information business is aimed at full-time positions.
- ▷ In this business, the company employs 320 people (180 for sales, 60 for production, and 40 for site operation).
- ▷ The company generates earnings from ad listing fees paid by companies seeking employees. For the *type* website, listing fees differ by listing type, but typically run around JPY500,000–600,000 per company per month. Ad listing fees dipped after 2008 global financial crisis, but have since returned gradually to pre-crisis levels. That said, the company explains that the use of recruiting agencies has become the post-crisis norm, and that once prices rise to a certain level job, ad listings lose their attractiveness vis-à-vis success-based recruiting.
- ▷ Revenue in the Media Information business rose from JPY4.7bn in FY09/17 (+12.7% YoY) to JPY4.8bn in FY09/18 (+2.2% YoY), and to JPY5.1bn in FY09/19 (+7.3% YoY). However, revenue per employee was down due to an increase in the number of employees in this business. Shared Research thinks the decrease may also be because salespeople are relatively inexperienced, as turnover in the Media Information business is high, at around 30%.

Basic job ad listing plans for *type* and *Onna no Tenshoku type* targeting women (JPY thousand)

Basic plan (2 ads, 4 weeks)		Basic plan (2 jobs, 4 weeks)	
type		Onna-no-Tenshoku type	
type-A	1,000	Q (queen)	800
type-B	800	P (princess)	600
type-C	600	R (regular)	400
type-D	350	L (light)	200

Source: Shared Research based on company data

Sales per employee and number of employees in the Media Information business



Source: Shared Research based on company data

Measures to boost matching rates

As part of its promotional activities targeting jobseekers, the company is partnering with LINE (provider of the eponymous smartphone-based communication app, which is popular in Japan) to deliver individualized scout emails encouraging job applications and interviews. The company also links to allied sites, such as indeed, career index, Tenshoku Kaigi, and OpenWork. In October 2018, CDC added an artificial intelligence (AI) function to its service to raise the effectiveness of its recruiting activities. By applying machine learning to browser histories, registered data provided by people who search for or apply for jobs on *type*, and the hiring conditions of companies seeking employees, the company aims to boost its matching precision.

Recruiting fairs

CDC holds recruiting fairs (events that provide a venue for interviews between jobseekers and companies seeking employees). Participating companies pay JPY400,000–500,000 to attend these fairs.

- ▷ Events targeting engineers are typically held at venues such as Tokyo Forum and attract around 120 companies. This is one of the largest job-change events in Japan that focuses specifically on engineers, and around 1,300 engineers attend each day. (Their attendance is free. They must register in advance, and the first 300 people receive prepaid QUO gift cards.) Around 60% of attendees come as the result of seeing CDC's in-train advertisements, and many attendees are people who wish to change jobs but who have not yet registered on CDC's website.
- ▷ The company also holds events targeting women. These events, held at Shibuya Hikarie and other venues, typically attract around 80 companies. CDC's events also support the job-change process from a variety of angles, doubling as venues for career seminars featuring celebrities and offering career counseling by professional advisors.

KPIs

The company continuously monitors various KPIs. Important KPIs include the number of new registrants and the number of job applicants. Also, in terms of KPIs related to customer satisfaction, the company monitors the number of applicants in their 20s (employers often seek younger applicants), the number of applicants for engineer jobs, and the number of applicants per job offered. In addition, since it is difficult to increase customer satisfaction if applicants are biased toward popular companies, the number of applicants per job type is also monitored.

- ▷ Among these, the number of new registrants is quick to reflect the effect of various initiatives, and this metric is especially responsive to advertising.
- ▷ The number of applicants per job type is more closely tied to results, and this is a measure that takes time to improve.
- ▷ Besides these, other metrics include the number of job types, proportion of scout emails read or applied to, the number and rate of applications per scout mail, number of users of AI, and number of applications via AI.

Media ARP Promotion Bureau

This bureau, which is inside the Media Information business, comprises the Access Promotion (AP) and Response Promotion (RP) departments.

- ▷ The AP department works to increase the number of visits to the company's site, as well as the number of registered members. It also ensures the efficiency of the company's advertising spending.
- ▷ Currently, around 80% of advertising expenditure goes toward online advertising, with the remaining 20% used for brand advertising at train stations and in train cars. The company does not expect this ratio to change significantly.
- ▷ The RP department seeks to increase the number of applicants (site visitors and registered members who apply for the positions offered), and is involved in developing the conversion* function.
- ▷ Companies with their origins in online advertising that enter the HR service sector tend to conduct development in-house; their entry is causing a rapid transformation in online advertising and prompting greater competition in the world of online marketing. At a macro level, industry barriers are breaking down as conventional advertising gives way to online advertising, and advertising merges with direct marketing and becomes online marketing. The company thinks the Media ARP Promotion Bureau has an important mission with respect to this rapid transformation.

***Conversion** refers to an expected behavior occurring. In the company's case, conversion means registration or application by a visitor to its career-change website. In addition to registering, conversion occurs when a visitor to the career-change website stops being "faceless"—in other words, when a jobseeker is matched with a company seeking employees. Most business-oriented websites have conversion targets. To meet these targets, companies think about how to attract visitors, content details, banner positions, and a host of other factors, and may use Google Analytics and other access analysis tools.

The cost effectiveness of advertising can be verified by looking at advertising expenditure and conversion. Various other metrics can be determined, such as the cost per acquisition (the cost to achieve one conversion) and the conversion rate (the number of conversions versus total access numbers). Companies have different measures for achieving conversion, depending on the phase they define as conversion.

Recruiting Agency business

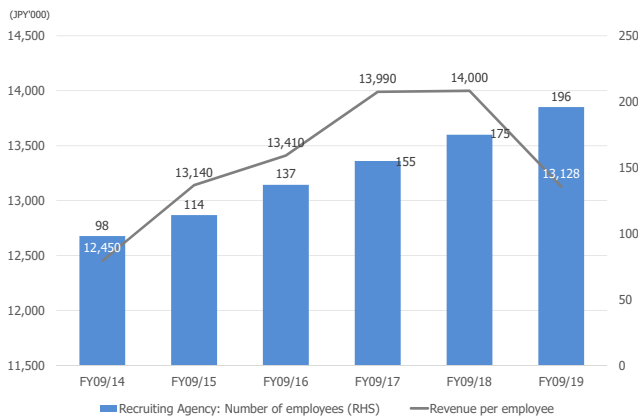
In the Recruiting Agency business (FY09/19 revenue of JPY2.6bn, 21.2% of total revenue), the company seeks to match registered jobseekers with job positions, generating fees when successful. The key success factor is the cooperation between salespeople—developing relationships with companies seeking talent and getting access to specific openings within those clients—and career advisors—interviewing jobseekers; and this cooperation leading to the acquisition of candidates matching the openings.

- ▷ This business employs 170 people, including career advisors, salespeople, and other staff.
- ▷ CDC's specialized career advisors provide jobseekers with tailored career plans.
- ▷ Both the quality and quantity of registered members are important in terms of improving matching precision, with quality becoming increasingly so.
- ▷ Companies, which are unable to make their job offering public also make use of this business.
- ▷ The recruiting agency market targeting white-collar workers is expected to grow to JPY308.0bn by 2020, up from JPY123.0bn in 2011. This is because job advertising is changing into a business in which databases that match jobseekers and employers play an important role. In the conventional job ad market, the name value of job-listing media and the number of companies listing ads in that media were important metrics. Also, by working with well-known media, employers were able to successfully

hire people within budget, so they were relatively satisfied on the cost-effectiveness front. Since 2010, however, employers have found it more difficult to hire people and are thus finding the cost of placing unsuccessful job ads a waste of money. Hence, the market has been shifting toward the use of success-based recruiting. The company thinks the market will continue to grow as demand for success-based recruiting expands.

- ▷ Success fees are typically around 35% of candidates' annual salaries. Over the past few years, fee levels have risen throughout the industry as hiring has become more difficult.
- ▷ In this operating environment, revenue in the company's Recruiting Agency business has increased from JPY1.8bn (FY09/16) to JPY2.5bn (FY09/18). Revenue per employee has also grown.

Sales per employee and number of employees in the Recruiting Agency business



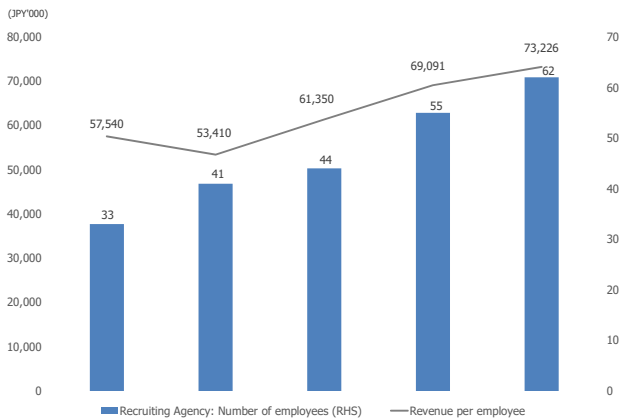
Source: Shared Research based on company data

IT Worker Dispatch business

In the IT Worker Dispatch business (FY09/19 revenue of JPY4.0bn, 32.7% of total revenue), CDC selects jobseekers in its database that best meet the needs of companies seeking employees and dispatches them as temporary workers. Its temporary staffing service specializes in IT engineers.

- ▷ The business is a registration-type staffing business. In this type of business, job seekers first register with a staffing agency, and when they are offered a position and dispatched to a client company, an employment contract is signed between the worker and the staffing agency. As of August 2020, nearly all of the company's dispatched workers are on fixed-term contracts.
- ▷ In this business, the company employs 50 people, with 30 in sales.
- ▷ *type*, the career-change site operated in the Media Information business, has a high percentage of IT engineers among its registrants. Since these registrants can also be introduced via the IT Worker Dispatch business, the two businesses generate synergies.
- ▷ The revenue booked under the IT Worker Dispatch business include wages paid to the dispatch workers, while in the Recruiting Agency business, revenue only comprises success fees. As a result, revenue and revenue per employee are higher in the IT Worker Dispatch business, but the Recruiting Agency business generates more recurring profit.

Sales per employee and number of employees in the IT Worker Dispatch business



Source: Shared Research based on company data

The three main pillars of business outlined above account for 95.9% of total revenue.

New Graduate Media business

In the New Graduate Media business (FY09/19 revenue of JPY362mn, 3.0% of total revenue), the company develops products and services (recruiting events, job listings magazines) for new graduates.

- ▷ In this business, which employs around 10 people, the company holds joint-company briefing sessions for students of top schools.
- ▷ CDC also provides students a job listings magazine containing information about the leading companies in various sectors, holds events, and summarizes information on the web.
- ▷ The company provides internship and job-hunting events mainly in two areas: Tokyo and Kyoto.
- ▷ Shared Research understands that the two new-graduate-oriented businesses (including the New Graduate Introduction business described below) are aimed at raising the profile of the *type* brand and increasing the likelihood of graduates using the company's services when they change jobs in the future.

New Graduate Introduction business

In the New Graduate Introduction business (FY09/19 revenue of JPY163mn, 1.3% of total revenue), the company introduces entry-level job openings to registered students.

- ▷ The company employs 15 people in this business.
- ▷ The company provides introductions mostly to students of top schools including those who are target readers of *Shukatsu type*, CDC's job information magazine for new graduates.
- ▷ The company also holds job-hunting camps in Tokyo for students attending elite regional universities.
- ▷ Compared to mid-career hires, fee per introduction is low.
- ▷ Due to the seasonality of New Graduate Introduction and the tendency to start the post-college job search early, the segment is likely to make a loss in CDC's 1H (September–March) and a profit in the company's 2H (April–September).

Most Japanese schools hold graduation in March as opposed to schools in most other countries.

Market and value chain

Labor market

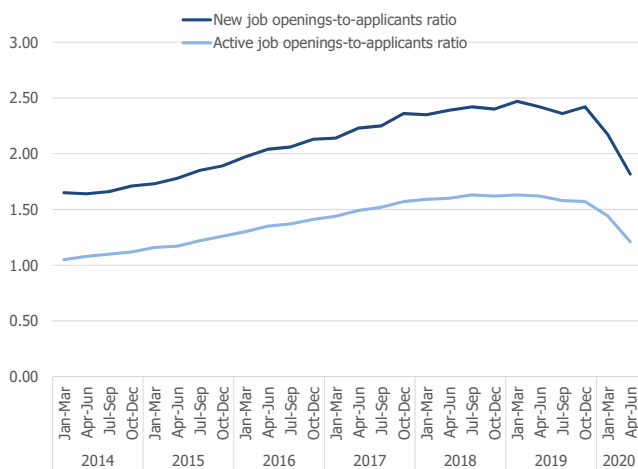
Japanese labor force and job market

According to the preliminary figures released by the Statistics Bureau, Ministry of Internal Affairs and Communications, as of March 2020 Japan had a labor force comprising 67.0mn people with work, of whom 60.1mn were employed by companies or other organizations (broken down to 35.1mn regular employees, 21.5mn non-regular employees, and others). Within the labor force, 1.8mn people were unemployed. People not in the labor force numbered 42.0mn. By category, regular employees accounted for 62.0% of the total. Among non-regular employees, part-time workers accounted for 18.7%, temporary workers for 8.2%, contract employees for 4.9%, and dispatch workers for 2.5%.

The unemployment rate was at a low of 2.8% in June 2020, when the ratio of job openings to job applicants* was 1.11x. Japan had had a tight labor market for several years, but then in 2020 the COVID-19 pandemic struck and people were asked to stay at home and avoid going out, and the Japanese government declared a state of emergency. The resulting economic slowdown slammed the brakes on the job market.

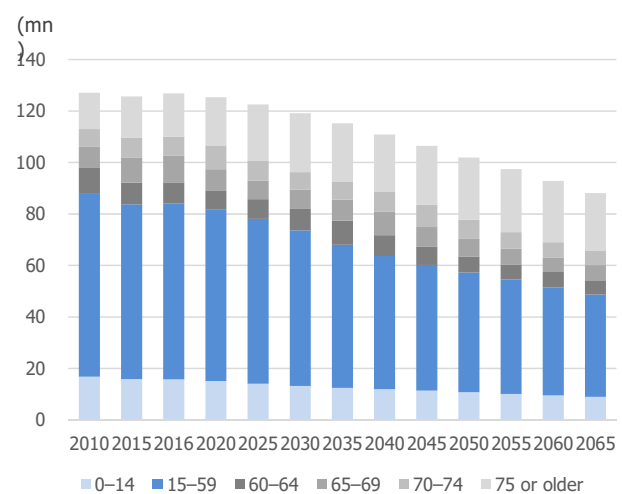
*The ratio of job openings to job applicants (number of effective job openings to the number of effective jobseekers) is an important indicator of employment trends. Effective jobseekers is the total of people newly seeking work and people still seeking work from the previous month. The Ministry of Health, Labour and Welfare calculates statistics based on the number of jobseekers at public employment security offices nationwide and the number of job openings, which it announces monthly. A ratio over one indicates a surplus of companies seeking employees; below one indicates a surplus of jobseekers.

Ratio of job openings to applicants



Source: Shared Research based on the labor force survey by the Statistics Bureau, Ministry of Internal Affairs and Communications

Population forecast, by age (mn people)



Source: Shared Research based on the labor force survey by the Statistics Bureau, Ministry of Internal Affairs and Communications

HR services industry

The HR services industry* comprises four businesses: the job advertising business, the job placement business, the temporary staffing business, and the contracting business**. By revenue, this industry has an estimated value of around JPY9tn. The HR services industry handles some 8.0mn openings each year, matching and providing employment management for around 4.8mn people (May 2020, Japan Association of Human Resource Services Industry website). Recent years have seen an increase in the number of companies handling a combination of job advertising, job placement, temporary staffing, and contracting businesses. There has also been a rise in the number of companies offering new services that combine functions, such as “temp to perm” (temporary staffing with the possibility of moving to full-time employment).

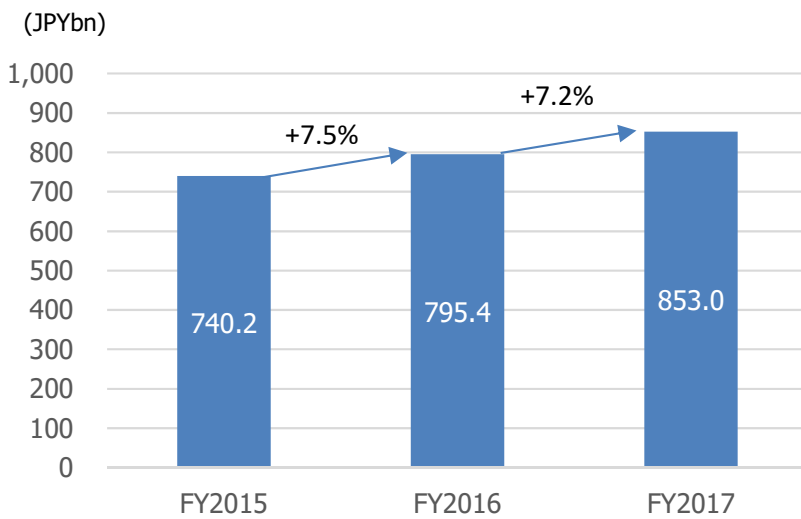
*The HR services industry is generally defined as private-sector companies that help achieve adjustments in the labor market. The supply side includes people changing jobs and first-time jobseekers.

**Contracting and temporary staffing differ in terms of type of contract and the command/instruction relationship. In business contracting, the client company (the entity placing the order) and contractor enter into a contracting agreement. Staff employed by the contractor conduct activities under the supervision of the contractor. With temporary staffing, the client company (the dispatchee) and the dispatcher enter into a dispatching agreement, and temporary employees registered with the dispatching company conduct operations in accordance with the client's instructions and commands.

Job advertising market

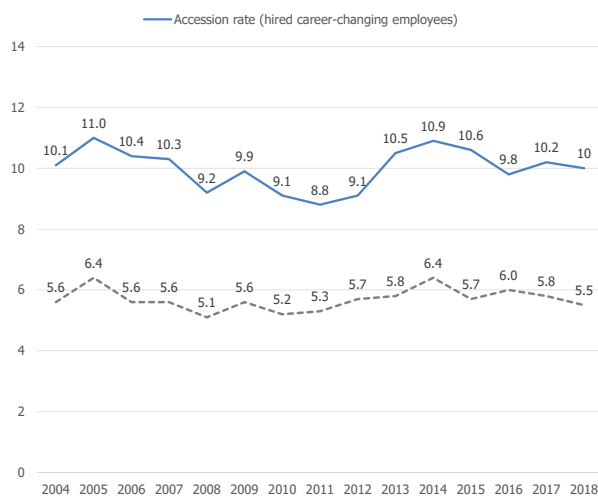
Of the HR service industry's overall value of JPY9.0tn, the job advertising market has a value of around JPY1.0tn. Looking at this figure by career history, people changing jobs account for around 10% and first-time jobseekers (new graduates) account for around 6%. In the category of mid-career hiring, the company's main target area, around 3.0mn people change jobs each year. Of this figure, 800,000 are aged between 25 and 34, accounting for around 25% of the total number of people changing jobs.

Size of the market for job listing services



Source: Shared Research based on data from the Association of Job Information of Japan

Accession rate, by employee career history



Source: Shared Research based on the Survey on Employment Trends, Ministry of Health, Labour and Welfare

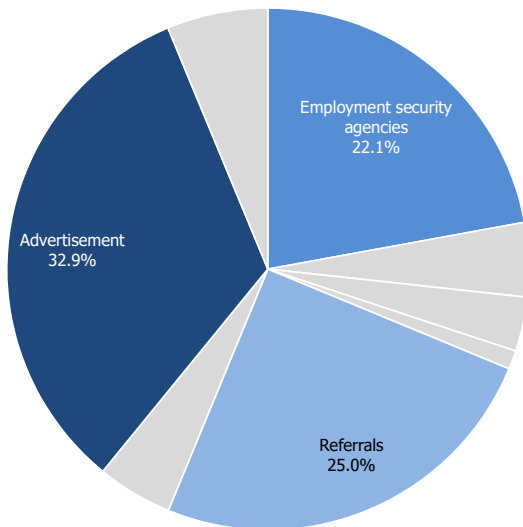
Number of employees changing careers, by age

		Number of career-changing employees ('000)						
		Total	15-24	25-34	35-44	45-54	55-64	65-
Total	2014	2,910	550	760	670	410	400	120
	2015	2,990	540	800	650	450	410	140
	2016	3,070	580	770	600	510	430	170
	2017	3,110	570	790	670	500	420	150
	2018	3,290	630	780	650	550	490	200
	2019	3,510	710	860	660	570	510	210
	% of total	100.0%	20.2%	24.5%	18.8%	16.2%	14.5%	6.0%
Male	2014	1,390	250	370	270	160	250	80
	2015	1,400	260	380	250	160	250	100
	2016	1,440	250	380	230	180	260	120
	2017	1,470	260	380	290	190	250	100
	2018	1,520	290	370	260	190	280	120
	2019	1,650	320	410	290	210	280	140
	% of total	100.0%	19.4%	24.8%	17.6%	12.7%	17.0%	8.5%
Female	2014	1,520	310	380	400	250	140	40
	2015	1,580	290	410	390	300	160	40
	2016	1,630	330	390	370	320	170	40
	2017	1,640	310	420	380	310	170	50
	2018	1,770	340	410	380	360	210	80
	2019	1,860	390	450	370	360	220	70
	% of total	100.0%	21.0%	24.2%	19.9%	19.4%	11.8%	3.8%

Source: Shared Research based on the labor force survey by the Statistics Bureau, Ministry of Internal Affairs and Communications

Job-listing media are one of the most important information routes for people changing jobs. (Job advertising is the hiring route in 32.9% of cases.)

Information routes for people changing jobs (%)



Source: Shared Research based on the labor force survey by the Statistics Bureau, Ministry of Internal Affairs and Communications

Temporary staffing market

Outline of legal system

- ▷ In FY2018, there were 38,128 staffing agency offices in Japan (according to the Collective Data from the Report on Worker Dispatching Business by the Ministry of Health, Labour and Welfare). With the September 30, 2015 revision to the Worker Dispatching Act the notification system for staffing business (the former “specified worker dispatching”) was eliminated, and all types of dispatch worker staffing agencies are now required to obtain a permit from the Labour Minister (the general worker dispatching business category). As a result, in FY2018 the number of permitted dispatch labor staffing agency offices grew by 50.8% or 12,846 YoY.
- ▷ The type of industries in which temp staffing is permitted has gradually been expanded, and since 2004, temp staffing is permitted in nearly all professions (the exceptions being port transportation services, construction, security services, certain medical services, and lawyers, social insurance and labor consultants and certain labor-relations activities). Since 2015, the maximum duration for which a dispatched worker can work in the same organizational unit for the same client is three years. This applies to all industries and professions, the exception being indefinite-term dispatch employees (from the summary of the 2015 revised Working Dispatching Act by the Ministry of Health, Labour and Welfare). To exceed the three-year limit, the staffing agency is required to implement one of four possible measures: (1) request that the worker be directly employed by the client; (2) offer a new reasonable temping assignment (including indefinite-term assignments); (3) indefinite employment by the staffing agency (other than as a dispatched worker); (4) other measures to provide stable, ongoing employment (paid leave for training, temporary staffing with the possibility of moving to full-time employment, etc.).
- ▷ Unreasonably differential treatment of dispatched workers was banned in 2020, and temp staff agencies are now required to choose either the "system for equality and equitability enforced by the client company" or "system according to the staffing agency's labor-management agreement" to ensure proper treatment of temporary agency workers (i.e. “equal pay for equal work”).

Market size

The number of temp staff workers averaged around 1.43mn in the January–March 2020 quarter (according to the Ministry of Internal Affairs and Communications’ Labor Force Survey statistics). Temp staff workers account for 2.5% of all employees (57mn, excluding directors). The figure has been in 2.2% to 2.5% range since 2013. According to the World Employment Confederation’s 2018

“Economic Report,” the temp staff penetration rate in Japan is 2.0%, marking no major difference from the global average of 1.6% or the US figure of 2.1%.

- ▷ FY2018 staffing business sales came to JPY6.4tn (98.2% of FY2017), down YoY for the second straight year (according to the Collective Data from the Report on Worker Dispatching Business by the Ministry of Health, Labour and Welfare).
- ▷ Looking at the breakdown of the numbers and percentages of temp staff workers by profession in 2019, male and female combined, we see that the largest group was clerical workers, totaling 430,000 (30.5%), followed by manufacturing workers at 380,000 (27.0%), transport, cleaning & packaging workers at 220,000 (15.6%), and professional & engineering workers at 120,000 (8.5%) (according to the Ministry of Internal Affairs and Communications’ Labor Force Survey statistics). Among male workers, the largest group was manufacturing workers at 220,000 (40.7%), followed by transport, cleaning & packaging workers at 120,000 (22.2%), and professional & engineering workers at 60,000 (11.1%). Among female workers, clerical workers were the largest group at 380,000 (44.2%), followed by manufacturing workers at 160,000 (18.6%), and transport, cleaning & packaging workers at 100,000 (11.6%).

Temp staff billing rates

Staffing service billing rates differ from agency to agency and profession to profession, but generally speaking around 70% of the fee paid by the client goes to the dispatched worker’s wages, 10% to social insurance premiums, and 15% to the agency’s expenses and profit margin (according to the Japan Staffing Services Association).

Competitors

The company's competitors can be divided into three categories: companies providing comprehensive HR services, HR services companies providing their own job-search media, and temporary staffing companies. Companies in the third category engage in the temporary placement primarily of back-office workers, engineers, manufacturing employees, short-term employees, and construction workers. Of particular note in the first category are Japanese companies. Notable in the second category are companies concentrating on mid-career and new-graduate hiring. Temporary staffing companies in the IT field are of particular note in the third category.

CDC's business is concentrated on the Tokyo metropolitan area and targets highly career-oriented workers aged around 30. Engineers, salespeople, and women are particular focuses, and the company's sales efforts emphasize "taking the next step upward." CDC explains that it positions itself as a specialist, whereas competitors are "like department stores." Changes in the way career-change websites leverage their online presence also mean that in some cases site collaboration may occur even among competitors. (CDC's links with Indeed are one example.)

Companies providing comprehensive HR services

- ▷ In Japan, CDC's main competitors in this category are Recruit Holdings Co., Ltd., Persol Holdings Co., Ltd., and Pasona Group Inc.
- ▷ The company also competes with the Japanese branches of global companies such as Adecco, randstad, and Manpower.
- ▷ CDC has little direct competition with executive headhunting firms like Korn Ferry or Spencer Stuart.

Companies providing comprehensive HR services

Ticker	Company	Fiscal year	Revenue (JPYmn)	OP (JPYmn)	OPM	Net income (JPYmn)	Total assets (JPYmn)	Net assets (JPYmn)	ROA (NI-based)	ROE	Equity ratio
2410	Career Design Center	FY09/19	12,155	995	8.2%	721	6,091	4,325	11.8%	22.4%	67.9%

Comprehensive human resources services

6098	Recruit Holdings	FY03/20	2,399,465	206,011	8.6%	179,880	1,998,917	-	9.0%	-	-
2181	Persol Holdings	FY03/20	970,572	39,085	4.0%	7,612	370,993	163,906	2.1%	4.6%	44.2%
2168	Pasona Group	FY05/20	324,984	10,577	3.3%	594	140,441	42,316	0.4%	1.4%	30.1%

Source: Shared Research based on annual securities reports

Recruit Holdings Co., Ltd. (TSE1: 6098): Rikunabi NEXT and Indeed, a subsidiary

Rikunabi is both a catchall term for the career-support services Recruit provides and the name of a job-hunting portal site provided by the Recruit Group (which includes companies like Recruit Career and Recruit Jobs). Rikunabi comprises sites targeting university graduates, people who wish to change jobs, and people seeking temporary placement.

- ▷ Recruit operates the Rikunabi NEXT job-hunting site for mid-career hiring
- ▷ Indeed*, a US subsidiary of Recruit Holdings, runs an eponymous search engine dedicated to job-search information. The company has gained a solid reputation in the US, where it is sometimes referred to as "Google for job search." Indeed gathers data automatically by web crawling through the help-wanted pages of corporate websites, making the information available in real time on its search engine. Companies seeking employees can register their job information directly with Indeed. Jobseekers can search for openings by type of work and location, as well as register their own data. Indeed also has a function that enables companies listing jobs to approach registrants.
- ▷ Machine learning is a key function of the Indeed site, which personalizes responses by analyzing user clicks. As a result, optimization increases the more a person uses the search engine.
- ▷ Indeed's business model is similar to Google's. Search-linked advertising is displayed according to the type of work and location in a jobseeker's search. The search engine is remunerated when a user clicks on these ads.

- ▷ CDC says Indeed may eventually provide links so that jobseekers from Indeed can move directly to CDC's career-change website. Conversely, Indeed's search engine could bypass career-change websites altogether by putting jobseekers into direct contact with companies. Meanwhile, Indeed faces the risk of unit advertising rates falling as competition increases.
- ▷ Recruit Holdings' temporary staffing businesses include STAFF SERVICE and other subsidiaries. Annual revenue from Recruit's temporary staffing businesses came to JPY1.2tn, of which JPY680.3bn was overseas and JPY567.8bn was from Japan (FY03/20).

*Recruit acquired Indeed in September 2012. Although undisclosed, CDC assumes the acquisition cost to have been around JPY100bn. Indeed has 250mn monthly unique visitors, 120mn registered resumes, and reviews of 100mn companies. Hisashi Idekoba, CEO of Indeed, claims the company is transforming an industry that has not changed in 30 years, making possible to "change jobs in a minute and at a click."

Persol Holdings Co., Ltd. (TSE1: 2181): doda

Persol is the second largest comprehensive HR services company in Japan's temporary staffing industry. It engages in temporary placement, HR contracting, and online recruitment.

- ▷ Persol runs Tempstaff (a temporary staffing business), doda (a job information site operated by subsidiary, Persol Career Co., Ltd.), and *an* (a job information service for temporary workers and part-timers).
- ▷ The company was established as a holding company in 2008 through a share transfer with Tempstaff (now Persol Tempstaff).

Pasona Group (TSE1: 2168)

Japan's third-largest temporary staffing company. While its mainstay is temporary staffing, Pasona also handles HR consignment and contracting, recruiting, overseas HR, support for re-placement, and outsourcing. Styling itself as a "social solutions company," Pasona is expanding its service menu to include education and training, day care, and nursing.

HR services companies providing their own job-search media

Companies that operate their own recruiting media (career-change websites) are CDC's principal competitors. In addition to mid-career hiring, such companies may specialize in temporary workers, the nursing care and healthcare industries, or construction. Some competitors also engage in marketing job-search media on an agency basis.

HR service companies that have their own job-listing media

Ticker	Company	Fiscal year	Revenue (JPYmn)	OP (JPYmn)	OPM	Net income (JPYmn)	Total assets (JPYmn)	Net assets (JPYmn)	ROA (NI-based)	ROE	Equity ratio
2410	Career Design Center	FY09/19	12,155	995	8.2%	721	6,091	4,325	11.8%	22.4%	67.9%
Unlisted	Mynavi	FY09/18	174,500	36,421	20.9%	26,692	48,078	26,692	55.5%	100.0%	55.5%
2175	SMS	FY03/20	35,140	4,935	14.0%	4,760	50,996	19,227	9.3%	24.8%	37.7%
2301	Gakujo	FY10/19	7,028	1,937	27.6%	1,402	12,187	10,827	11.5%	12.9%	88.8%
2341	Arbeit-times	FY02/20	4,550	190	4.2%	174	5,639	5,010	3.1%	3.5%	88.8%
2375	ThreePro Group	FY10/19	17,584	784	4.5%	448	7,797	3,224	5.7%	13.9%	41.3%
2379	DIP	FY02/20	46,415	14,356	30.9%	10,012	41,114	31,512	24.4%	31.8%	76.6%
3991	Wantedly	FY08/19	2,922	305	10.4%	294	1,747	793	16.8%	37.1%	45.4%
4318	Quick	FY03/20	21,035	2,930	13.9%	2,074	13,558	9,464	15.3%	21.9%	69.8%
4849	en-japan	FY03/20	56,848	11,005	19.4%	7,125	51,896	36,648	13.7%	19.4%	70.6%
6032	interworks	FY03/20	3,147	124	3.9%	45	2,771	2,520	1.6%	1.8%	90.9%
6054	Livesense	FY12/19	6,189	-5	-0.1%	94	6,240	4,940	1.5%	1.9%	79.2%
6194	Atrae	FY09/19	3,229	710	22.0%	502	4,583	3,907	11.0%	12.8%	85.2%

Source: Shared Research based on annual securities reports

Comparison, by media

Medium	Operator	Membership ('000)
type		3,140
Onna no Tenshoku type	Career Design Center	1,230
Rikunabi NEXT	Recruit Holdings	9,160
doda	Persol Holdings	5,400
Mynavi Tenshoku	Mynavi	5,880
en Tenshoku	en-japan	Over 8,000

Source: Shared Research based on individual companies' media and information available as of April 2020.

Mynavi Corporation (unlisted, operates Mynavi Tenshoku)

Mynavi Tenshoku is a brand name for an HR advertising site through which Mynavi Corporation provides information about opportunities for employment, job changes, and further education, and operates its core services of temporary staffing and job placement. The company also runs a portal site for HR information services under the same brand name.

- ▷ Mynavi Corporation was established in 1973 as Mainichi Communications, Inc., changing its name to Mynavi in 2011. Although once influential, Mainichi Shimbun (publisher of a major national daily newspaper) now has a stake of less than 10%.
- ▷ In addition to services targeting new graduates, people who wish to change jobs, people looking for temporary placement, and people wishing to further their education, in 2007 the company launched a site for aspiring part-time workers. Since then, the site has grown in scale and become a comprehensive HR information site. In 2012, the company launched sites outside the realm of HR information, such as Mynavi Chintai (real estate rental) and Mynavi Wedding, apparently aiming to compete with the Recruit Group.
- ▷ The company is optimizing the Mynavi site, which targets new graduates, to more efficiently attract currently unemployed recent graduates in their early 20s, as well as people in their late 20s and early 30s.

Persol Career Co., Ltd. (subsidiary of Persol Holdings): doda

Persol Career Co., Ltd. runs the doda job information site.

- ▷ Persol Career also offers a recruiting agency service under the doda brand, and therefore has access to jobseekers who use job-search sites as well as those who prefer to go through a placement agency. Registered members tend to be highly experienced. Further, the company hosts regular job-change fairs under the doda brand in Tokyo, Osaka, Nagoya, Fukuoka, and other major cities.
- ▷ Originally, Gakusei Engokai Co., Ltd. edited and published doda as a paper magazine. Intelligence Co., Ltd. (now Persol Career) took over operation of the magazine when it merged with Gakusei Engokai in July 2006. Intelligence became part of the Temp Holdings Group in 2013. In October 2018, Intelligence rebranded the service, from DODA to doda. In 2008, Temp Holdings (now Persol Holdings) was established as a holding company through a share transfer from Tempstaff (now Persol Tempstaff). The name Intelligence was changed to Persol Career in 2017.

en-japan Inc. (TSE1: 4849): en Tenshoku

en Tenshoku is a job-search information site operated by en-japan inc. The company is also building its recruiting agency business.

- ▷ This large-scale site delivers job-search information to more than 6.0mn members.
- ▷ The site is focused on young people, and nearly 70% of members are aged 34 or younger. To make job information easier to find, the company lists ads in order of newest first, regardless of ad listing fees.
- ▷ The idea is to display search results in a way that maximizes job-search exposure.

Other competition

mixi, Inc. (TSE Mothers: 2121): Find job!

- ▷ mixi recruitment, inc., a subsidiary of mixi, Inc. (operator of a social network with the same name), operates the Find Job! site, which mainly handles job-search information for IT startups.
- ▷ The company operates internet-based job-advertising and media businesses, the latter of which has grown.

SMS Co., Ltd. (TSE1: 2175)

- ▷ This company handles recruitment and job advertising focused on the nursing care and healthcare industries.
- ▷ It also provides management support services for nursing care businesses.

Gakujo Co., Ltd. (TSE1: 2301): Re-Shukatsu

- ▷ Gakujo Co., Ltd., operates Re-Shukatsu, a job-search site focused on currently unemployed recent graduates. In this way, Gakujo seeks to leverage its experience with Gakujo Navi, the site it operates for new graduates. Among its main services are Asagaku Navi, a job-search site for new graduates.
- ▷ The company also operates Shushoku-haku joint company briefings in Tokyo, Osaka, and Nagoya.

Arbeit-times Co., Ltd. (TSE JASDAQ: 2341): DOMO

- ▷ Arbeit-times Co., Ltd., publishes DOMO, a free job listings magazine.
- ▷ The company publishes three editions in its home market of Shizuoka Prefecture, where it has a high market share. It also issues a Nagoya edition.

DIP Corporation (TSE1: 2379): Baitoru NEXT, Hatarako Net

- ▷ Aimed at mid-career hiring, DIP Corporation operates Baitoru NEXT (a website for regular and contract employees) and Hatarako Net (for employees and temporary or part-time workers).
- ▷ Baitoru is one of Japan's largest portal sites for part-time workers.

Wantedly, Inc. (TSE Mothers: 3991): Wantedly

- ▷ Wantedly, Inc., operates a business-oriented social network of the same name.
- ▷ The company earns commission revenue when companies place ads on the network. Wantedly refers to itself as a "business social network" and a "social recruiting service."

Quick Co., Ltd. (TSE1: 4318)

- ▷ Quick focuses on recruitment and temporary placement, specializing in nurses and construction personnel.
- ▷ It mainly uses Recruit as its agency for handling job advertisements.

Interworks, Inc. (TSE1: 6032): Kojo Works

- ▷ Interworks, Inc., operates Kojo Works, a recruiting site specializing in the manufacturing sector.
- ▷ The company engages in paid job placement and support for new-graduate recruiting.

Livesense Inc. (TSE1: 6054): Tenshoku Navi and Tenshoku Kaigi

- ▷ Livesense Inc. operates Tenshoku Navi and Tenshoku Kaigi. Its business model is based on success fees.

- ▷ Liveness also operates real estate information and word-of-mouth job-change sites.

Atrae, Inc. (TSE1: 6194): Green

- ▷ Atrae, Inc., operates Green, a success fee-based job-search site for people changing jobs.
- ▷ Around 90% of successful contracts are IT or web-related.

SB Human Capital Corp. (SoftBank Group): ecareer

- ▷ SoftBank-affiliated SB Human Capital operates ecareer, a site that focuses on employing creative talent (web and DTP designers) and people involved with gaming (designers and engineers).
- ▷ The basic advertising plan provides ads in a set of three job types, making ecareer a suitable choice for people who wish to employ people in multiple categories.

Nikkei HR, Inc. (subsidiary of Nikkei Inc.): Nikkei Career NET

- ▷ Nikkei HR, Inc., operates Nikkei Career NET, a career-change website that started as an offshoot of the Nikkei newspaper and involves collaboration with other Nikkei Group media. This site tends to attract people who are interested in economics and markets and has channels to people who read Nikkei Group publications. Around 70% of members register via such media, and their overlap with other job-search sites is low.
- ▷ Other job-change information sites include Nikkei Woman Career and Nikkei Tech Career.

Temporary staffing companies

In the IT Worker Dispatch business (CDC has obtained permission to engage in general worker dispatching from the Ministry of Health, Labour and Welfare), the company thinks competition for the temporary placement of engineers will increase as categories blur.

- ▷ In the past, the temporary staffing industry was divided into two categories. The first type (the former “general worker dispatching”) focused on labor-intensive work, which is susceptible to adjustments in production volume, such as the temporary placement of back-office and manufacturing employees. The second type (the former “specified worker dispatching”) involved a high level of specialization, such as the temporary placement of engineers. Revisions to the Worker Dispatching Act in 2015 eliminated this distinction.
- ▷ As it is difficult to differentiate skill levels of back office and manufacturing employees on temporary placement, an operator’s competitiveness depends on the number of registrants and dispatches. Accordingly, large temporary staffing companies tend to dominate this area. However, there is little overlap with CDC in these job categories as the company primarily focuses on temporary placement of IT engineers.

Temporary staffing companies

Ticker	Company	Fiscal year	Revenue (JPYmn)	OP (JPYmn)	OPM	Net income (JPYmn)	Total assets (JPYmn)	Net assets (JPYmn)	ROA (NI-based)	ROE	Equity ratio
2410	Career Design Center	FY09/19	12,155	995	8.2%	721	6,091	4,325	11.8%	22.4%	67.9%

Staffing: Engineering

6028	TechnoPro Holdings	FY06/19	144,176	13,739	9.5%	9,400	93,771	46,065	10.0%	20.4%	49.1%
9744	Meitec	FY03/20	100,995	12,926	12.8%	9,093	77,493	44,327	11.7%	20.5%	57.2%
4641	Altech	FY12/19	36,371	4,014	11.0%	2,908	19,471	12,165	14.9%	23.9%	62.5%
2146	UT Group	FY03/20	101,191	8,040	7.9%	4,509	36,308	15,023	12.4%	30.0%	41.4%
2154	Trust Tech	FY06/19	81,596	5,719	7.0%	3,706	31,207	15,802	11.9%	23.5%	50.6%
2475	WDB Holdings	FY03/20	43,108	4,956	11.5%	3,114	26,545	19,687	11.7%	15.8%	74.2%
2479	Jtec	FY03/20	3,034	141	4.6%	90	1,819	924	4.9%	9.7%	50.8%

Staffing: Manufacturing

2162	nms Holdings	FY03/20	62,611	920	1.5%	280	33,470	5,849	0.8%	4.8%	17.5%
2427	Outsourcing	FY12/19	361,249	15,501	4.3%	9,095	239,179	-	3.8%	-	-
2429	World Holdings	FY12/19	136,319	4,730	3.5%	2,956	87,352	23,944	3.4%	12.3%	27.4%

Staffing: Office work

2415	Human Holdings	FY03/20	85,989	2,002	2.3%	848	40,154	11,323	2.1%	7.5%	28.2%
4763	Creek & River	FY02/20	32,946	2,083	6.3%	1,359	16,230	8,400	8.4%	16.2%	51.8%

Source: Shared Research based on annual securities reports

Referral

Recruitment by referral (whereby existing employees introduce and recommend applicants without going through HR information media or an HR introduction company) is becoming more popular. This is because personnel mismatches are considered less likely to occur when employees, who themselves have a good understanding of the corporate culture and personnel required for a job, are involved. The long-term growth of this type of recruitment may reduce the need for HR information media and introduction services. However, at present, referrals tend to be used in combination with job listing media and introduction services, other than for job opportunities at or close to management level or at startup companies.

Strengths and weaknesses

Strengths

- ▀ **Efficient and effective earnings structure underpinned by focused target markets:** The company conducts marketing activities under the slogan “a step up,” highlighting its focus on career-oriented candidates in their 30s in three categories (engineers, salespeople, and women), and limiting its sales and advertising efforts to the Tokyo metro area. This targeted approach allows for highly efficient and effective sales and marketing, which are the source of the company’s profitability. (In FY09/19, ROA [on a recurring profit base] was 17.1%, and ROE was 17.6%.)
- ▀ **Has jobseeker data in areas where hiring need is high:** Job-advertising media are one of the most popular routes used to search for work (around 30% of people are hired via job ads), and CDC’s career-change website is high on the list of websites in Japan in terms of access, at around 2mn people per month (based on FY2017 Nielsen data on access from home and office PCs). The company has data on 3.0mn registered members, with about 60% of these falling within the company’s target age range of 25–39. Also, a large percentage of members have IT engineering skills, which are in high demand (14.9% have a background in IT, communications, or web engineering; 4.0% have experience as project managers or IT consultants). Having jobseeker data in sought-after categories is a competitive advantage that allows the business to operate more efficiently and effectively.
- ▀ **Leverages jobseeker data obtained in the Media Information business to drive growth in the Recruiting Agency business:** The company holds jobseeker data in sought-after categories. It gathers this data primarily for the Media Information business’s job-listing media, but as long as the jobseekers themselves agree, the company can also use this information in the Recruiting Agency and IT Worker Dispatch businesses. If the market for the success-based Recruiting Agency business expands as much as CDC expects, this strength could be an important driver of future growth.

Weaknesses

- ▀ **Highly focused targets mean limited market potential:** As is stated above, the company focuses on career-oriented candidates in their 30s in three categories (engineers, salespeople, and women), and concentrates its sales and advertising efforts in the Tokyo metro area. While this focus allows for highly efficient and effective sales and advertising efforts, it also limits the potential market. To grow, the company will need to expand its job categories, age groups, and/or geographic region. In doing so, it risks sacrificing the sales and advertising effectiveness it has cultivated to date.
- ▀ **Data on jobseekers skewed toward specific types of candidates, limiting business expansion:** The company holds data on sought-after categories. While this is one of the company’s strengths, it also means CDC may not have enough information on other types of candidates to facilitate business growth.
- ▀ **As a smaller player, management retirement can easily impact earnings:** In the Recruiting Agency business, fees result from successfully matching corporate client and applicant needs, and as a result revenue growth depends on a detailed understanding of corporate client and applicant needs to increase matching accuracy, requiring staff with a wealth of experience. CDC is comparatively small as a recruiting agency and as such has a lower headcount. Therefore the percentage contribution to earnings of one employee is higher and the loss of an employee can easily negatively impact earnings.

Historical results and financial statements

Income statement

Income statement (JPYmm)	FY09/10	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	FY09/19
	Parent	Parent	Parent	Parent	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Revenue	1,746	2,794	3,986	5,107	6,217	7,621	8,570	9,894	10,976	12,155
YoY	-16.9%	60.0%	42.7%	28.1%	21.7%	22.6%	12.4%	15.4%	10.9%	10.7%
Cost of revenue	510	753	1,147	1,621	1,976	2,626	2,839	3,279	3,857	4,615
Gross profit	1,235	2,041	2,839	3,486	4,241	4,995	5,730	6,615	7,119	7,540
YoY	-6.4%	65.2%	39.1%	22.8%	21.7%	17.8%	14.7%	15.4%	7.6%	5.9%
GPM	70.7%	73.0%	71.2%	68.3%	68.2%	65.5%	66.9%	66.9%	64.9%	62.0%
SG&A expenses	1,762	1,858	2,483	2,986	3,505	4,367	4,725	5,461	5,953	6,544
SG&A ratio	100.9%	66.5%	62.3%	58.5%	56.4%	57.3%	55.1%	55.2%	54.2%	53.8%
Operating profit	-527	182	356	500	737	628	1,005	1,154	1,166	995
YoY	-57.8%	-134.6%	95.5%	40.5%	47.2%	-14.7%	60.0%	14.8%	1.1%	-14.7%
OPM	-30.2%	6.5%	8.9%	9.8%	11.8%	8.2%	11.7%	11.7%	10.6%	8.2%
Non-operating income (expenses)	9	8	7	7	7	6	6	7	5	9
Non-operating expenses	8	2	3	5	5	4	2	3	1	1
Recurring profit	-525	187	360	502	738	631	1,009	1,158	1,170	1,003
YoY	-57.8%	-135.7%	92.2%	39.4%	47.1%	-14.6%	60.1%	14.8%	1.0%	-14.3%
RPM	-30.1%	6.7%	9.0%	9.8%	11.9%	8.3%	11.8%	11.7%	10.7%	8.3%
Extraordinary gains	0	0	0	0	0	0	0	0	0	53
Extraordinary losses	0	19	0	24	59	0	10	0	7	6
Income taxes	3	4	3	53	-42	221	324	355	361	328
Implied tax rate	-0.6%	2.4%	0.9%	11.2%	-6.2%	35.0%	32.5%	30.7%	31.0%	31.3%
Net income attrib. to noncontrolling interests	0	0	0	0	0	0	0	0	0	0
Net income	-529	165	356	426	722	410	675	803	803	721
YoY	-63.1%	-131.2%	116.2%	19.5%	69.5%	-43.2%	64.6%	19.0%	0.0%	-10.2%
Net margin	-30.3%	5.9%	8.9%	8.3%	11.6%	5.4%	7.9%	8.1%	7.3%	5.9%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

The company has posted double-digit revenue growth since FY09/11 (revenue of JPY2.8bn). Since that time, revenue has grown 4.4x, to JPY12.2bn in FY09/19. Operating profit has experienced some dips, but the OPM has remained at around 10%. FY09/19 operating profit declined as Recruiting Agency business revenues experienced a sharp decline in Q4, and as the company increased advertising expenditure on the Media Information business.

The company's personnel expenses generally fluctuate in line with personnel numbers. CDC's system immediately reflects monthly, quarterly, semi-annual, and annual incentives when sales targets are met (with salary increases possible four times per year), so personnel expenses could rise suddenly in individual departments, albeit to the extent the increase does not affect the profit targets. The cost of salaries for IT dispatch workers rises as the utilization rate of registered staff increases in the IT temporary staffing business.

Balance sheet

Balance sheet (JPYmn)	FY09/10 Parent	FY09/11 Parent	FY09/12 Parent	FY09/13 Parent	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/18 Cons.	FY09/19 Cons.
ASSETS										
Cash and deposits	479	804	1,118	1,545	1,754	2,066	2,285	2,456	2,933	3,193
Notes and accounts receivable	201	344	509	614	743	919	1,059	1,272	1,427	1,458
Total current assets	907	1,184	1,680	2,226	2,670	3,181	3,511	3,974	4,556	4,797
Total tangible fixed assets	79	72	63	144	200	180	218	196	236	217
Total intangible fixed assets	218	179	172	247	417	431	469	543	511	672
Investments and other assets	101	83	106	121	168	179	204	312	396	405
Total fixed assets	398	335	340	511	785	790	891	1,050	1,144	1,294
Total assets	1,305	1,518	2,020	2,737	3,456	3,971	4,401	5,025	5,611	6,091
LIABILITIES										
Notes and accounts payable	18	5	11	18	21	28	23	21	21	21
Short-term debt	155	130	130	91	61	86	106	65	45	45
Income taxes payable	7	9	10	60	49	184	230	232	194	194
Accounts payable–other	137	107	187	256	409	422	319	351	334	447
Accrued expenses	65	90	159	211	208	259	307	426	480	473
Total current liabilities	470	509	695	836	1,044	1,381	1,322	1,546	1,555	1,585
Long-term debt	0	0	0	202	141	80	100	60	40	20
Total fixed liabilities	32	43	55	259	224	164	221	187	175	181
Total liabilities	503	551	750	1,095	1,268	1,545	1,544	1,733	1,730	1,766
Net assets										
Capital stock	559	559	559	559	559	559	559	559	559	559
Capital surplus	831	339	339	339	339	339	339	343	369	395
Retained earnings	-491	165	453	776	1,293	1,537	2,007	2,606	3,155	3,621
Treasury stock	-96	-96	-96	-96	-96	-96	-137	-298	-269	-241
Shareholders' equity	802	967	1,255	1,579	2,095	2,339	2,768	3,209	3,813	4,333
Total net assets	802	967	1,270	1,641	2,187	2,426	2,858	3,293	3,881	4,325
Total liabilities and net assets	1,305	1,518	2,020	2,736	3,456	3,971	4,401	5,025	5,611	6,091
Working capital	-2	148	160	139	111	221	415	479	598	525
Total interest-bearing debt	155	130	130	293	202	166	205	125	85	65
Net debt	-324	-674	-988	-1,252	-1,552	-1,900	-2,080	-2,331	-2,848	-3,128

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Large investments are limited to software development and advertising. As such, under the company's financial structure, cash tends to accumulate with profit.

Cash conversion cycle

Cash conversion cycle	FY09/10 Parent	FY09/11 Parent	FY09/12 Parent	FY09/13 Parent	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/18 Cons.	FY09/19 Cons.
Accounts receivable turnover	10.9	10.2	9.3	9.1	9.2	9.2	8.7	8.5	8.1	8.4
Days in accounts receivable	33.6	35.6	39.1	40.1	39.8	39.8	42.1	43.0	44.9	43.3
Accounts payable turnover	6.7	8.5	8.7	8.1	8.6	10.2	9.2	8.4	8.1	9.3
Days in accounts payable	54.7	43.1	42.2	44.9	42.2	35.8	39.6	43.3	44.9	39.4
Cash conversion cycle (days)	-21.06	-7.43	-3.10	-4.73	-2.39	3.99	2.50	-0.26	-0.03	3.92

Source: Shared Research based on company data

Cash flow statement

Cash flow statement (JPYmn)	FY09/10 Parent	FY09/11 Parent	FY09/12 Parent	FY09/13 Parent	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/18 Cons.	FY09/19 Cons.
Cash flows from operating activities (1)	-389	236	483	611	964	696	689	942	1,001	907
Cash flows from investing activities (2)	242	114	-100	-243	-456	-176	-261	-325	-267	-408
Free cash flow (1+2)	-148	350	383	368	508	520	428	617	734	499
Cash flows from financing activities	-263	-25	-69	58	-297	-208	-209	-445	-257	-239
Depreciation and amortization (A)	124	109	108	101	100	142	165	194	232	251
Capital expenditures (B)	-26	-63	-76	-226	-405	-172	-244	-217	-264	-404
Change in working capital (C)	-121	150	12	-21	-28	111	194	64	119	-73
Simple FCF (NI + A + B - C)	-310	61	377	322	445	269	402	715	652	641

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Historical performance

1H FY09/20 results

Overview

Cumulative (JPYmm)	FY09/18				FY09/19				FY09/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	2,477	5,231	7,988	10,976	2,801	5,882	8,963	12,155	2,962	6,087
YoY	14.0%	12.0%	10.9%	10.9%	13.1%	12.4%	12.2%	10.7%	5.7%	3.5%
Gross profit	1,574	3,382	5,132	7,119	1,651	3,614	5,530	7,540	1,681	3,569
YoY	13.7%	9.9%	7.7%	7.6%	4.9%	6.9%	7.8%	5.9%	1.9%	-1.3%
GPM	63.5%	64.7%	64.2%	64.9%	58.9%	61.5%	61.7%	62.0%	56.8%	58.6%
SG&A expenses	1,440	2,997	4,480	5,953	1,553	3,211	4,903	6,544	1,595	3,215
YoY	13.1%	13.8%	10.5%	9.0%	7.8%	7.2%	9.4%	9.9%	2.8%	0.1%
SG&A ratio	58.1%	57.3%	56.1%	54.2%	55.4%	54.6%	54.7%	53.8%	53.9%	52.8%
Operating profit	133	384	652	1,166	98	403	627	995	86	354
YoY	19.8%	-13.1%	-7.8%	1.1%	-26.1%	4.9%	-3.8%	-14.7%	-12.3%	-12.3%
OPM	5.4%	7.3%	8.2%	10.6%	3.5%	6.9%	7.0%	8.2%	2.9%	5.8%
Recurring profit	134	386	654	1,170	105	410	636	1,003	88	359
YoY	19.6%	-13.3%	-8.0%	1.0%	-21.5%	6.2%	-2.7%	-14.3%	-16.2%	-12.4%
RPM	5.4%	7.4%	8.2%	10.7%	3.8%	7.0%	7.1%	8.3%	3.0%	5.9%
Net income	82	250	431	803	66	272	489	721	55	238
YoY	17.1%	-15.0%	-7.5%	0.0%	-19.3%	8.8%	13.4%	-10.2%	-17.6%	-12.6%
Net margin	3.3%	4.8%	5.4%	7.3%	2.4%	4.6%	5.5%	5.9%	1.8%	3.9%

Quarterly (JPYmm)	FY09/18				FY09/19				FY09/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	2,477	2,754	2,757	2,988	2,801	3,080	3,081	3,192	2,962	3,125
YoY	14.0%	10.2%	8.8%	11.0%	13.1%	11.8%	11.8%	6.8%	5.7%	1.4%
Gross profit	1,574	1,808	1,750	1,987	1,651	1,964	1,916	2,010	1,681	1,887
YoY	13.7%	6.9%	3.6%	7.5%	4.9%	8.6%	9.5%	1.2%	1.9%	-3.9%
GPM	63.5%	65.6%	63.5%	66.5%	58.9%	63.8%	62.2%	63.0%	56.8%	60.4%
SG&A expenses	1,440	1,557	1,483	1,473	1,553	1,659	1,692	1,641	1,595	1,620
YoY	13.1%	14.4%	4.3%	4.8%	7.8%	6.5%	14.1%	11.5%	2.8%	-2.4%
SG&A ratio	58.1%	56.5%	53.8%	49.3%	55.4%	53.9%	54.9%	51.4%	53.9%	51.8%
Operating profit	133	251	268	514	98	305	224	368	86	267
YoY	19.8%	-24.2%	1.1%	15.1%	-26.1%	21.4%	-16.4%	-28.4%	-12.3%	-12.2%
OPM	5.4%	9.1%	9.7%	17.2%	3.5%	9.9%	7.3%	11.5%	2.9%	8.6%
Recurring profit	134	252	268	516	105	305	227	367	88	271
YoY	19.6%	-24.3%	0.8%	15.4%	-21.5%	20.9%	-15.5%	-28.9%	-16.2%	-11.1%
RPM	5.4%	9.2%	9.7%	17.3%	3.8%	9.9%	7.4%	11.5%	3.0%	8.7%
Net income	82	168	181	372	66	206	217	232	55	183
YoY	17.1%	-25.0%	5.2%	10.3%	-19.3%	22.5%	19.7%	-37.5%	-17.6%	-11.0%
Net margin	3.3%	6.1%	6.6%	12.4%	2.4%	6.7%	7.0%	7.3%	1.8%	5.9%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

- ▷ 1H FY09/20 revenue was JPY6.1bn (+3.5% YoY), slightly below forecast. Revenue from business targeting the female market in the Media Information business was down 13.9% YoY. Revenues from the engineer market and other businesses were in line with company forecast, but were not enough to compensate for the overall revenue decline in the Media Information business.

- ▷ 1H FY09/20 operating profit was JPY354mn (-12.3% YoY), recurring profit was JPY359mn (-12.4% YoY), and net income attributable to owners of the parent was JPY238mn (+3.9% YoY). The company incurred additional costs as the spread of COVID-19 led to the cancellation of events it had planned to run in April and later, but the company cut back on other costs, and recurring profit finished in line with forecast as a result.
- ▷ COVID-19, which is believed to have originated in Wuhan, China, has spread worldwide. In Japan, the number of infection cases started to rise in March 2020, which led the government to declare a state of emergency on April 7, 2020. Subsequently, on May 4, 2020, the emergency period was extended from the original May 6, 2020 to May 31, 2020 (although the government noted it may lift the state of emergency before the deadline if the situation improves, such as if the number of new cases declines. The state of emergency was lifted for some municipalities on May 14). The company's business environment has changed dramatically as a consequence. Retailers and most restaurants have been ordered to close temporarily or reduce opening hours and most events have been cancelled, because all residents were strongly encouraged to stay home and avoid nonessential travel.
- ▷ The company noted that the spread of COVID-19 began to impact earnings in February 2020, and the impact grew in March as people refrained from going out. The company's 1H FY09/20 revenue was about JPY155mn lower than its 1H outlook as of January 2020. Although registrations remained strong with minimal impact, job listings were affected. In March, the Media Information business was most affected, and the New Graduate Introduction business was also affected by the postponement of the new graduate hiring schedule. As for the difference in the impact by corporate client industry, B2C industries (such as apparel and services) were significantly impacted as of March, while B2B industries and recruiting agencies started experiencing the impact after April 7, when the state of emergency was declared. In terms of regions, the Tokyo area particularly struggled.
- ▷ On April 30, 2020, the company revised its FY09/20 earnings and dividend forecasts, recasting them as "undetermined." The company indicates that achieving targets in its initial earnings forecast will be difficult and that predicting the impact of the COVID-19 pandemic is currently problematic. Moving forward, the company maintains that it will continue to conduct business while closely monitoring the impact of the pandemic and associated economic trends and that it will promptly announce changes to its earnings forecast when it is capable of making reasonable projections. In Q3, the company expects a substantial decline in revenue. Although it will cut back on costs, including advertising expenses, the company anticipates that it will record a recurring loss in Q3. As of April 30, 2020, the company does not project a recurring loss for full-year FY09/20. CDC will release a revised dividend forecast once it is able to announce its FY09/20 earnings forecast.

Overview by business

Cumulative (JPYmn)	FY09/18				FY09/19				FY09/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	2,477	5,231	7,988	10,975	2,801	5,882	8,963	12,155	2,962	6,087
YoY	14.0%	12.0%	10.9%	10.9%	13.1%	12.4%	12.2%	10.7%	5.7%	3.5%
Media Information	1,063	2,349	3,447	4,758	1,066	2,462	3,649	5,106	1,082	2,358
YoY	8.1%	8.5%	3.5%	2.2%	0.3%	4.8%	5.9%	7.3%	1.5%	-4.2%
% of total	42.9%	44.9%	43.2%	43.4%	38.1%	41.9%	40.7%	42.0%	36.5%	38.7%
Recruiting Agency	562	1,161	1,803	2,451	646	1,283	2,038	2,574	633	1,281
YoY	17.0%	11.1%	11.8%	13.0%	15.1%	10.6%	13.0%	5.0%	-2.1%	-0.2%
% of total	22.7%	22.2%	22.6%	22.3%	23.1%	21.8%	22.7%	21.2%	21.4%	21.1%
New Graduate Media	76	155	246	322	88	177	287	362	124	221
YoY	2.9%	-1.2%	7.3%	7.7%	16.5%	13.9%	16.7%	12.7%	39.9%	25.0%
% of total	3.1%	3.0%	3.1%	2.9%	3.2%	3.0%	3.2%	3.0%	4.2%	3.6%
New Graduate Introduction	13	31	81	138	23	50	99	163	8	37
YoY	-11.5%	25.7%	38.2%	34.1%	78.8%	64.3%	21.7%	18.4%	-66.2%	-26.9%
% of total	0.5%	0.6%	1.0%	1.3%	0.8%	0.9%	1.1%	1.3%	0.3%	0.6%
IT Worker Dispatch	772	1,550	2,435	3,342	987	1,927	2,914	3,980	1,122	2,189
YoY	22.8%	19.8%	21.9%	23.8%	27.9%	24.3%	19.7%	19.1%	13.7%	13.6%
% of total	31.2%	29.6%	30.5%	30.5%	35.2%	32.8%	32.5%	32.7%	37.9%	36.0%

Quarterly (JPYmn)	FY09/18				FY09/19				FY09/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	2,477	2,754	2,757	2,987	2,801	3,080	3,081	3,192	2,962	3,125
YoY	14.0%	10.2%	8.8%	11.0%	13.1%	11.8%	11.8%	6.9%	5.7%	1.4%
Media Information	1,063	1,286	1,098	1,311	1,066	1,396	1,187	1,458	1,082	1,276
YoY	8.1%	8.8%	-5.7%	-1.1%	0.3%	8.5%	8.1%	11.2%	1.5%	-8.6%
% of total	42.9%	46.7%	39.8%	43.9%	38.1%	45.3%	38.5%	45.7%	36.5%	40.8%
Recruiting Agency	562	599	642	648	646	637	754	536	633	648
YoY	17.0%	6.1%	13.0%	16.5%	15.1%	6.3%	17.4%	-17.3%	-2.1%	1.8%
% of total	22.7%	21.8%	23.3%	21.7%	23.1%	20.7%	24.5%	16.8%	21.4%	20.7%
New Graduate Media	76	80	91	75	88	89	110	75	124	98
YoY	2.9%	-4.7%	25.6%	9.0%	16.5%	11.5%	21.5%	-0.5%	39.9%	10.1%
% of total	3.1%	2.9%	3.3%	2.5%	3.2%	2.9%	3.6%	2.4%	4.2%	3.1%
New Graduate Introduction	13	18	51	56	23	27	49	64	8	29
YoY	-11.5%	81.2%	47.1%	28.5%	78.8%	53.8%	-3.8%	13.7%	-66.2%	6.5%
% of total	0.5%	0.3%	0.6%	0.5%	0.8%	0.5%	0.5%	0.5%	0.3%	0.5%
IT Worker Dispatch	772	778	884	908	987	940	988	1,065	1,122	1,067
YoY	22.8%	16.9%	25.9%	29.3%	27.9%	20.7%	11.7%	17.4%	13.7%	13.6%
% of total	31.2%	28.3%	32.1%	30.4%	35.2%	30.5%	32.0%	33.4%	37.9%	34.1%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Media Information business

- ▷ 1H FY09/20 revenue was JPY2.4bn (-4.2% YoY), slightly below forecast.
- ▷ Revenue from business targeting engineers grew 10.2% YoY. Revenue from business targeting the salespeople market decreased 4.1% YoY.
- ▷ The business targeting the female market was down 13.9% YoY. Despite a steady increase in new registrants and applicants in the business targeting the female market, the number of corporate clients declined, because some client companies in the service and sales industries scaled back their recruitment activities and competition intensified amid the spread of COVID-19. In terms of attracting job seekers, the company reported a steady rise in the number of registrants and applicants using its smartphone app *Onna no Tenshoku type* (site targeting women), which was released in October 2019. The company operates a full-service career change site targeting career-minded people looking for full-time permanent jobs. As such, the company does not limit itself to service and sales job categories. Hence, the company believes it can offset the underperforming categories with strong performing categories to some extent.

- ▷ The number of new member registrations for *type* was down 3% YoY and the number of job applications were up 1% YoY. Meanwhile, the number of new member registrations for *Onna no Tenshoku type* were up 1% YoY and the number of job applications were up 2% YoY. Registration through organic channels grew due to strengthened SEO efforts.
- ▷ The company says registrations are typically more robust during economic downturns and are still going strong as of April 2020. Unlike the global financial crisis, when non-target registrations temporarily increased, the quality of registrations has been good so far, with an increase in registrations from people in their 20s and early 30s, which are in high demand from corporate clients.
- ▷ The number of applicants per job listing was also robust. Although the number of listings declined due to the COVID-19 pandemic, the number of applicants remained strong thanks to the effectiveness of the company's app and advertising efforts. The company expects the number of job applications to improve in Q3 and beyond due to the renewal and functional enhancement of *type* (released in February 2020).

Recruiting Agency business

- ▷ 1H FY09/20 revenue was JPY1.3bn (-0.2% YoY), slightly above forecast.
- ▷ Revenue was strong in business targeting the female market, and that targeting engineers was solid.
- ▷ New registrations recorded a solid increase despite increased competition with other companies.

New Graduate Media business

- ▷ 1H FY09/20 revenue was JPY221mn (+25.0% YoY), above forecast.
- ▷ Revenue growth was solid as the company held events in Tokyo and Kansai for students graduating in 2021.
- ▷ Sales were firm for individual seminars to match the specific hiring needs of companies seeking employees.
- ▷ The company held several events, which all went well.
- ▷ According to the company, many companies continue hiring as stopping hiring altogether would result in a biased age structure in later years. In addition, since major human resource services companies have cancelled joint recruiting sessions for employers, the company has seen an increase in individual requests to attract talent and has maintained strong performance.

New Graduate Introduction business

- ▷ 1H FY09/20 revenue was JPY37mn (-26.9% YoY), slightly below forecast.
- ▷ The number of active placements for 2021 graduates was lower than expected, because companies have been postponing their recruitment programs amid the spread of COVID-19 since February 2020. Since the company records revenues when students accept job offers, any postponement of the hiring schedule will cause the company to postpone revenue recording.
- ▷ The company expects further delays in companies' recruitment schedules in Q3.

IT Worker Dispatch business

- ▷ 1H FY09/20 revenue was JPY2.2bn (+13.6% YoY), slightly above forecast.
- ▷ The company strengthened efforts to garner contracts, particularly for engineers, and the number of newly dispatched staff rose firmly.
- ▷ Turnover among dispatch workers was up, but the company was able to increase the number of those in operation.
- ▷ The number of new registrations was solid.
- ▷ The IT Worker Dispatch business involves expanding the number of dispatch workers and is also a job category where teleworking is relatively easy. As a result, the spread of COVID-19 had little impact on results through 1H FY09/20.

- ▷ The response to the so-called "equal pay for equal work" that came into effect in April 2020 has progressed smoothly, and billing rates increased in line with initial expectations. Since the hourly wages of dispatched workers will also increase, the company expects no significant impact on the profit margin of the business.

Impact of COVID-19 pandemic

Lower ratio of job openings to job applicants (change in business environment)

The Ministry of Health, Labour and Welfare (MHLW) announced on April 28, 2020 that the seasonally adjusted ratio of job openings to job applicants was 1.39x, down 0.06pp from the previous month. New job openings in March (raw figure) were down 12.1% YoY. By industry, new job openings increased 1.4% YoY in education and learning support, but fell in all other industries, including manufacturing (-22.8%); accommodations, eating and drinking services (-19.9%); general services (-18.1%); living-related and personal services and amusement services (-16.6%); and wholesale and retail trade (-15.0%).

Impact on customers

- ▷ According to the company, as of the end of April 2020, many of its customer companies that had been hiring full-time permanent employees temporarily lost interest in hiring. At the same time, however, many intend to resume hiring once the spread of COVID-19 stops.
- ▷ Although there have been cancelled orders, postponed listings on career change sites, and postponed orders, the company is focused on maintaining long-term relationships with its customers and is responding flexibly to their requests.
- ▷ As of April 2020, the company has not experienced any bad debts due to deteriorating financial situations on the part of its customers. However, the impact of the pandemic could be prolonged and the company plans to cautiously monitor its customers' business conditions.

Impact on sales activities

As a rule, the company has switched to online sales meetings since the second half of March. Despite an increase in the number of appointments and sales meetings, the win rate (the rate of sales meetings that lead to a sale) declined due to the spread of the COVID-19.

Impact on business activities

From March 27, 2020, the company started promoting staggered working hours and telecommuting, and from April 8, 2020, the company started requiring all employees to telework.

Impact on costs

Event cancellations and switching to telework resulted in additional costs of approximately JPY10mn in 1H FY09/20.

Q1 FY09/20 results

Overview

Cumulative (JPYmn)	FY09/18				FY09/19				FY09/20		FY09/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	% of FY	FY Est.	
Revenue	2,477	5,231	7,988	10,976	2,801	5,882	8,963	12,155	2,962	22.5%	13,144	
YoY	14.0%	12.0%	10.9%	10.9%	13.1%	12.4%	12.2%	10.7%	5.7%		19.8%	
Gross profit	1,574	3,382	5,132	7,119	1,651	3,614	5,530	7,540	1,681			
YoY	13.7%	9.9%	7.7%	7.6%	4.9%	6.9%	7.8%	5.9%	1.9%			
GPM	63.5%	64.7%	64.2%	64.9%	58.9%	61.5%	61.7%	62.0%	56.8%			
SG&A expenses	1,440	2,997	4,480	5,953	1,553	3,211	4,903	6,544	1,595			
YoY	13.1%	13.8%	10.5%	9.0%	7.8%	7.2%	9.4%	9.9%	2.8%			
SG&A ratio	58.1%	57.3%	56.1%	54.2%	55.4%	54.6%	54.7%	53.8%	53.9%			
Operating profit	133	384	652	1,166	98	403	627	995	86	6.9%	1,250	
YoY	19.8%	-13.1%	-7.8%	1.1%	-26.1%	4.9%	-3.8%	-14.7%	-12.3%		7.2%	
OPM	5.4%	7.3%	8.2%	10.6%	3.5%	6.9%	7.0%	8.2%	2.9%		9.5%	
Recurring profit	134	386	654	1,170	105	410	636	1,003	88	7.1%	1,250	
YoY	19.6%	-13.3%	-8.0%	1.0%	-21.5%	6.2%	-2.7%	-14.3%	-16.2%		6.8%	
RPM	5.4%	7.4%	8.2%	10.7%	3.8%	7.0%	7.1%	8.3%	3.0%		9.5%	
Net income	82	250	431	803	66	272	489	721	55	6.3%	862	
YoY	17.1%	-15.0%	-7.5%	0.0%	-19.3%	8.8%	13.4%	-10.2%	-17.6%		7.4%	
Net margin	3.3%	4.8%	5.4%	7.3%	2.4%	4.6%	5.5%	5.9%	1.8%		6.6%	

Quarterly (JPYmn)	FY09/18				FY09/19				FY09/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Revenue	2,477	2,754	2,757	2,988	2,801	3,080	3,081	3,192	2,962	
YoY	14.0%	10.2%	8.8%	11.0%	13.1%	11.8%	11.8%	6.8%	5.7%	
Gross profit	1,574	1,808	1,750	1,987	1,651	1,964	1,916	2,010	1,681	
YoY	13.7%	6.9%	3.6%	7.5%	4.9%	8.6%	9.5%	1.2%	1.9%	
GPM	63.5%	65.6%	63.5%	66.5%	58.9%	63.8%	62.2%	63.0%	56.8%	
SG&A expenses	1,440	1,557	1,483	1,473	1,553	1,659	1,692	1,641	1,595	
YoY	13.1%	14.4%	4.3%	4.8%	7.8%	6.5%	14.1%	11.5%	2.8%	
SG&A ratio	58.1%	56.5%	53.8%	49.3%	55.4%	53.9%	54.9%	51.4%	53.9%	
Operating profit	133	251	268	514	98	305	224	368	86	
YoY	19.8%	-24.2%	1.1%	15.1%	-26.1%	21.4%	-16.4%	-28.4%	-12.3%	
OPM	5.4%	9.1%	9.7%	17.2%	3.5%	9.9%	7.3%	11.5%	2.9%	
Recurring profit	134	252	268	516	105	305	227	367	88	
YoY	19.6%	-24.3%	0.8%	15.4%	-21.5%	20.9%	-15.5%	-28.9%	-16.2%	
RPM	5.4%	9.2%	9.7%	17.3%	3.8%	9.9%	7.4%	11.5%	3.0%	
Net income	82	168	181	372	66	206	217	232	55	
YoY	17.1%	-25.0%	5.2%	10.3%	-19.3%	22.5%	19.7%	-37.5%	-17.6%	
Net margin	3.3%	6.1%	6.6%	12.4%	2.4%	6.7%	7.0%	7.3%	1.8%	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

- ▷ Q1 FY09/20 revenue was JPY3.0bn (+5.7% YoY), above forecast. Revenue from business targeting the female market in the Media Information segment was down 7.1% YoY, but revenue from the engineer market was strong, and other segments were above company forecast.
- ▷ Q1 FY09/20 operating profit was JPY86mn (-12.3% YoY), recurring profit was JPY88mn (-16.2% YoY), and net income attributable to owners of the parent was JPY55mn (-17.6% YoY). Dispatch workers' salaries in the IT Worker Dispatch business increased amid higher revenue, but the company constrained costs overall.
- ▷ Progress versus the company's FY09/20 forecast was 22.5% for revenue, 6.9% for operating profit, 7.1% for recurring profit, and 6.3% for net income attributable to owners of the parent. The earnings forecast announced on November 13, 2019 remains unchanged. Although the potential impact of the Tokyo Olympics in Q4 is taken into account, the company says it is difficult to predict the effects with accuracy at this stage.

Overview by business

Cumulative (JPYmn)	FY09/18				FY09/19				FY09/20
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue	2,477	5,231	7,988	10,975	2,801	5,882	8,963	12,155	2,962
YoY	14.0%	12.0%	10.9%	10.9%	13.1%	12.4%	12.2%	10.7%	5.7%
Media Information	1,063	2,349	3,447	4,758	1,066	2,462	3,649	5,106	1,082
YoY	8.1%	8.5%	3.5%	2.2%	0.3%	4.8%	5.9%	7.3%	1.5%
% of total	42.9%	44.9%	43.2%	43.4%	38.1%	41.9%	40.7%	42.0%	36.5%
Recruiting Agency	562	1,161	1,803	2,451	646	1,283	2,038	2,574	633
YoY	17.0%	11.1%	11.8%	13.0%	15.1%	10.6%	13.0%	5.0%	-2.1%
% of total	22.7%	22.2%	22.6%	22.3%	23.1%	21.8%	22.7%	21.2%	21.4%
New Graduate Media	76	155	246	322	88	177	287	362	124
YoY	2.9%	-1.2%	7.3%	7.7%	16.5%	13.9%	16.7%	12.7%	39.9%
% of total	3.1%	3.0%	3.1%	2.9%	3.2%	3.0%	3.2%	3.0%	4.2%
New Graduate Introduction	13	31	81	138	23	50	99	163	8
YoY	-11.5%	25.7%	38.2%	34.1%	78.8%	64.3%	21.7%	18.4%	-66.2%
% of total	0.5%	0.6%	1.0%	1.3%	0.8%	0.9%	1.1%	1.3%	0.3%
IT Worker Dispatch	772	1,550	2,435	3,342	987	1,927	2,914	3,980	1,122
YoY	22.8%	19.8%	21.9%	23.8%	27.9%	24.3%	19.7%	19.1%	13.7%
% of total	31.2%	29.6%	30.5%	30.5%	35.2%	32.8%	32.5%	32.7%	37.9%

Quarterly (JPYmn)	FY09/18				FY09/19				FY09/20
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue	2,477	2,754	2,757	2,987	2,801	3,080	3,081	3,192	2,962
YoY	14.0%	10.2%	8.8%	11.0%	13.1%	11.8%	11.8%	6.9%	5.7%
Media Information	1,063	1,286	1,098	1,311	1,066	1,396	1,187	1,458	1,082
YoY	8.1%	8.8%	-5.7%	-1.1%	0.3%	8.5%	8.1%	11.2%	1.5%
% of total	42.9%	46.7%	39.8%	43.9%	38.1%	45.3%	38.5%	45.7%	36.5%
Recruiting Agency	562	599	642	648	646	637	754	536	633
YoY	17.0%	6.1%	13.0%	16.5%	15.1%	6.3%	17.4%	-17.3%	-2.1%
% of total	22.7%	21.8%	23.3%	21.7%	23.1%	20.7%	24.5%	16.8%	21.4%
New Graduate Media	76	80	91	75	88	89	110	75	124
YoY	2.9%	-4.7%	25.6%	9.0%	16.5%	11.5%	21.5%	-0.5%	39.9%
% of total	3.1%	2.9%	3.3%	2.5%	3.2%	2.9%	3.6%	2.4%	4.2%
New Graduate Introduction	13	18	51	56	23	27	49	64	8
YoY	-11.5%	81.2%	47.1%	28.5%	78.8%	53.8%	-3.8%	13.7%	-66.2%
% of total	0.5%	0.3%	0.6%	0.5%	0.8%	0.5%	0.5%	0.5%	0.3%
IT Worker Dispatch	772	778	884	908	987	940	988	1,065	1,122
YoY	22.8%	16.9%	25.9%	29.3%	27.9%	20.7%	11.7%	17.4%	13.7%
% of total	31.2%	28.3%	32.1%	30.4%	35.2%	30.5%	32.0%	33.4%	37.9%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Media Information business

- ▷ Q1 FY09/20 revenue was JPY1.1bn (+1.5% YoY), slightly below forecast.
- ▷ Revenue from business targeting engineers grew 13.7% YoY. Revenue from business targeting the salesperson market decreased 4.6% YoY, and from business targeting women was down 7.1% YoY. The business targeting women was impacted by competitive pressure.
- ▷ The company plans to reduce overall advertising expenses with more targeted advertising activities. Key metrics such as the number of new member registrations and new job applications are performing well. The company also said that revenue in the business targeting engineers was higher than expected.
- ▷ Usage of the *Onna no Tenshoku type* app, launched in October 2019, has exceeded the company's expectation.
- ▷ During the rest of 1H, the company plans a campaign to strengthen its sales in the female recruitment market and carry on advertising and moves to improve website functionality from Q1.

Recruiting Agency business

- ▷ Q1 FY09/20 revenue was JPY633mn (-2.1% YoY), slightly above forecast.
- ▷ Revenue was strong in business targeting the female market, and that targeting engineers was solid.

- ▷ The company rejigged its management organization by reassigning managers and stepped up its training of young employees to address the outstanding issue from FY09/19 of strengthening the organization.
- ▷ New registrations slowed somewhat as competition with other companies continued to intensify.

New Graduate Media business

- ▷ Q1 FY09/20 revenue was JPY124mn (+39.9% YoY), above forecast.
- ▷ Revenue growth was solid as the company published a job search magazine, “*type shukatsu*,” and held events in Tokyo and Kansai for students graduating in 2021.
- ▷ Sales were firm for individual seminars to match the specific hiring needs of companies seeking employees.
- ▷ The company held several events, which all went well.
- ▷ Q1 revenue growth in the New Graduate Media business has been boosted by post-college job search activities starting earlier than before.

New Graduate Introduction business

- ▷ Q1 FY09/20 revenue was JPY8mn (-66.2% YoY), slightly below forecast.
- ▷ With recruitment activities coming earlier in the year, the number of active placements for 2020 graduates and student registrations slowed, and a higher-than-expected number of candidates declined job offers. Earlier post-college job search has had an impact on Q1 revenue.
- ▷ The number of active placements and registrations for 2021 graduates showed solid YoY growth.

IT Worker Dispatch business

- ▷ Q1 FY09/20 revenue was JPY1.1bn (+13.7% YoY), above forecast.
- ▷ The company strengthened efforts to garner contracts, particularly for engineers, and the number of newly dispatched staff rose firmly.
- ▷ Turnover among dispatch workers was up slightly, but the company was able to increase the number of those in operation. In terms of resignations among dispatch staff, there were instances where dispatch worker numbers per sales personnel exceeded appropriate levels. The company responded by taking steps to strengthen the structure to check in with dispatch staff more effectively.
- ▷ The number of new registrations was solid, helped by an increase in advertising.
- ▷ Costs are expected to increase as labor law changes requiring equal pay for equal work come into effect in April 2020, increasing commuting and other social benefit expenses for employers. The company intends to transfer costs to clients through negotiations. However, its forecast includes a drop in operating profit margin to account for the possibility of a time lag in the price transfer. As of February 2020, according to the company, price transfer negotiations with dispatch business clients are proceeding smoothly. The impact will be reflected from Q3 onwards.

Other topics

Impact of COVID-19 outbreak

At present, there has been no major impact.

Full-year FY09/19 results

Overview

Cumulative (JPYmn)	FY09/17				FY09/18				FY09/19				FY09/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Revenue	2,172	4,670	7,203	9,894	2,477	5,231	7,988	10,976	2,801	5,882	8,963	12,155	100.1%	12,140
YoY	14.1%	14.1%	14.9%	15.4%	14.0%	12.0%	10.9%	10.9%	13.1%	12.4%	12.2%	10.7%		10.6%
Gross profit	1,384	3,076	4,766	6,615	1,574	3,382	5,132	7,119	1,651	3,614	5,530	7,540		
YoY	13.4%	13.0%	14.4%	15.4%	13.7%	9.9%	7.7%	7.6%	4.9%	6.9%	7.8%	5.9%		
GPM	63.7%	65.9%	66.2%	66.9%	63.5%	64.7%	64.2%	64.9%	58.9%	61.5%	61.7%	62.0%		
SG&A expenses	1,273	2,634	4,056	5,461	1,440	2,997	4,480	5,953	1,553	3,211	4,903	6,544		
YoY	13.3%	13.5%	15.4%	15.6%	13.1%	13.8%	10.5%	9.0%	7.8%	7.2%	9.4%	9.9%		
SG&A ratio	58.6%	56.4%	56.3%	55.2%	58.1%	57.3%	56.1%	54.2%	55.4%	54.6%	54.7%	53.8%		
Operating profit	111	442	707	1,154	133	384	652	1,166	98	403	627	995	99.5%	1,000
YoY	15.6%	10.5%	8.8%	14.8%	19.8%	-13.1%	-7.8%	1.1%	-26.1%	4.9%	-3.8%	-14.7%		-14.3%
OPM	5.1%	9.5%	9.8%	11.7%	5.4%	7.3%	8.2%	10.6%	3.5%	6.9%	7.0%	8.2%		8.2%
Recurring profit	112	445	711	1,158	134	386	654	1,170	105	410	636	1,003	100.3%	1,000
YoY	15.5%	10.1%	8.5%	14.8%	19.6%	-13.3%	-8.0%	1.0%	-21.5%	6.2%	-2.7%	-14.3%		-14.5%
RPM	5.2%	9.5%	9.9%	11.7%	5.4%	7.4%	8.2%	10.7%	3.8%	7.0%	7.1%	8.3%		8.2%
Net income	70	294	466	803	82	250	431	803	66	272	489	721	104.5%	690
YoY	25.0%	14.8%	13.4%	19.0%	17.1%	-15.0%	-7.5%	0.0%	-19.3%	8.8%	13.4%	-10.2%		-14.0%
Net margin	3.2%	6.3%	6.5%	8.1%	3.3%	4.8%	5.4%	7.3%	2.4%	4.6%	5.5%	5.9%		5.7%

Quarterly (JPYmn)	FY09/17				FY09/18				FY09/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	2,172	2,498	2,533	2,691	2,477	2,754	2,757	2,988	2,801	3,080	3,081	3,192
YoY	14.1%	14.1%	16.6%	16.8%	14.0%	10.2%	8.8%	11.0%	13.1%	11.8%	11.8%	6.8%
Gross profit	1,384	1,692	1,690	1,849	1,574	1,808	1,750	1,987	1,651	1,964	1,916	2,010
YoY	13.4%	12.6%	17.1%	18.1%	13.7%	6.9%	3.6%	7.5%	4.9%	8.6%	9.5%	1.2%
GPM	63.7%	67.7%	66.7%	68.7%	63.5%	65.6%	63.5%	66.5%	58.9%	63.8%	62.2%	63.0%
SG&A expenses	1,273	1,361	1,422	1,405	1,440	1,557	1,483	1,473	1,553	1,659	1,692	1,641
YoY	13.3%	13.7%	19.2%	16.0%	13.1%	14.4%	4.3%	4.8%	7.8%	6.5%	14.1%	11.5%
SG&A ratio	58.6%	54.5%	56.1%	52.2%	58.1%	56.5%	53.8%	49.3%	55.4%	53.9%	54.9%	51.4%
Operating profit	111	331	265	447	133	251	268	514	98	305	224	368
YoY	15.6%	8.9%	6.0%	25.8%	19.8%	-24.2%	1.1%	15.1%	-26.1%	21.4%	-16.4%	-28.4%
OPM	5.1%	13.3%	10.5%	16.6%	5.4%	9.1%	9.7%	17.2%	3.5%	9.9%	7.3%	11.5%
Recurring profit	112	333	266	447	134	252	268	516	105	305	227	367
YoY	15.5%	8.5%	6.0%	26.2%	19.6%	-24.3%	0.8%	15.4%	-21.5%	20.9%	-15.5%	-28.9%
RPM	5.2%	13.3%	10.5%	16.6%	5.4%	9.2%	9.7%	17.3%	3.8%	9.9%	7.4%	11.5%
Net income	70	224	172	337	82	168	181	372	66	206	217	232
YoY	25.0%	12.0%	11.0%	27.8%	17.1%	-25.0%	5.2%	10.3%	-19.3%	22.5%	19.7%	-37.5%
Net margin	3.2%	9.0%	6.8%	12.5%	3.3%	6.1%	6.6%	12.4%	2.4%	6.7%	7.0%	7.3%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

- ▷ Progress rate: Compared to forecast, the progress rate for the company's FY09/19 results were 100.1% for revenue, 99.5% for operating profit, 100.3% for recurring profit, and 104.5% for net income attributable to owners of the parent.
- ▷ FY09/19 revenue was JPY13.1bn (+8.1% YoY), in-line with plan. While Recruiting Agency revenues came in significantly below expectations, revenues for other segments were steady. This was particularly true for the Media Information business, which delivered better-than-expected performance after a major advertising campaign launched in January 2019 resulted in growth of newly registered members and number of job applications.
- ▷ FY09/19 operating profit was JPY995mn (-14.7% YoY), recurring profit was JPY1.0bn (-14.3% YoY), and net income attributable to owners of the parent was JPY721mn (-10.2% YoY). With plans for a major advertising campaign, the company forecasted lower operating profit and recurring profit, and results were in-line with expectations. As Media Information revenues grew, the company proceeded to increase advertising expenditures beyond initial plans.

Overview by business

Cumulative (JPY mn)	FY09/17				FY09/18				FY09/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	2,172	4,670	7,203	9,894	2,477	5,231	7,988	10,975	2,801	5,882	8,963	12,155
YoY					14.0%	12.0%	10.9%	10.9%	13.1%	12.4%	12.2%	10.7%
Media Information	983	2,165	3,330	4,656	1,063	2,349	3,447	4,758	1,066	2,462	3,649	5,106
YoY					8.1%	8.5%	3.5%	2.2%	0.3%	4.8%	5.9%	7.3%
% of total	45.2%	46.4%	46.2%	47.1%	42.9%	44.9%	43.2%	43.4%	38.1%	41.9%	40.7%	42.0%
Recruiting Agency	480	1,044	1,612	2,169	562	1,161	1,803	2,451	646	1,283	2,038	2,574
YoY					17.0%	11.1%	11.8%	13.0%	15.1%	10.6%	13.0%	5.0%
% of total	22.1%	22.4%	22.4%	21.9%	22.7%	22.2%	22.6%	22.3%	23.1%	21.8%	22.7%	21.2%
New Graduate Fair	74	157	229	299	76	155	246	322	88	177	287	362
YoY					2.9%	-1.2%	7.3%	7.7%	16.5%	13.9%	16.7%	12.7%
% of total	3.4%	3.4%	3.2%	3.0%	3.1%	3.0%	3.1%	2.9%	3.2%	3.0%	3.2%	3.0%
New Graduate Introduction	15	24	59	103	13	31	81	138	23	50	99	163
YoY					-11.5%	25.7%	38.2%	34.1%	78.8%	64.3%	21.7%	18.4%
% of total	0.7%	0.5%	0.8%	1.0%	0.5%	0.6%	1.0%	1.3%	0.8%	0.9%	1.1%	1.3%
IT Worker Dispatch	628	1,294	1,997	2,699	772	1,550	2,435	3,342	987	1,927	2,914	3,980
YoY					22.8%	19.8%	21.9%	23.8%	27.9%	24.3%	19.7%	19.1%
% of total	28.9%	27.7%	27.7%	27.3%	31.2%	29.6%	30.5%	30.5%	35.2%	32.8%	32.5%	32.7%
Quarterly (JPY mn)	FY09/17				FY09/18				FY09/19			
Revenue	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	2,172	2,498	2,533	2,690	2,477	2,754	2,757	2,987	2,801	3,080	3,081	3,192
YoY					14.0%	10.2%	8.8%	11.0%	13.1%	11.8%	11.8%	6.9%
Media Information	983	1,182	1,165	1,326	1,063	1,286	1,098	1,311	1,066	1,396	1,187	1,458
YoY					8.1%	8.8%	-5.7%	-1.1%	0.3%	8.5%	8.1%	11.2%
% of total	45.2%	47.3%	46.0%	49.3%	42.9%	46.7%	39.8%	43.9%	38.1%	45.3%	38.5%	45.7%
Recruiting Agency	480	565	568	556	562	599	642	648	646	637	754	536
YoY					17.0%	6.1%	13.0%	16.5%	15.1%	6.3%	17.4%	-17.3%
% of total	22.1%	22.6%	22.4%	20.7%	22.7%	21.8%	23.3%	21.7%	23.1%	20.7%	24.5%	16.8%
New Graduate Fair	74	84	72	69	76	80	91	75	88	89	110	75
YoY					2.9%	-4.7%	25.6%	9.0%	16.5%	11.5%	21.5%	-0.5%
% of total	3.4%	3.3%	2.9%	2.6%	3.1%	2.9%	3.3%	2.5%	3.2%	2.9%	3.6%	2.4%
New Graduate Introduction	15	10	35	44	13	18	51	56	23	27	49	64
YoY					-11.5%	81.2%	47.1%	28.5%	78.8%	53.8%	-3.8%	13.7%
% of total	0.7%	0.2%	0.5%	0.4%	0.5%	0.3%	0.6%	0.5%	0.8%	0.5%	0.5%	0.5%
IT Worker Dispatch	628	666	703	702	772	778	884	908	987	940	988	1,065
YoY					22.8%	16.9%	25.9%	29.3%	27.9%	20.7%	11.7%	17.4%
% of total	28.9%	26.7%	27.7%	26.1%	31.2%	28.3%	32.1%	30.4%	35.2%	30.5%	32.0%	33.4%

Source: Shared Research based on company data
 Note: Figures may differ from company materials due to differences in rounding methods.

Media Information business

FY09/19 revenue was JPY5.1bn (+7.3% YoY), while recurring profit declined to JPY171mn (-52.2% YoY). Revenue grew steadily, surpassing forecast. The decline in profit was due to the implementation of a large advertisement campaign.

- ▷ Revenue from business targeting engineers grew 20.5% YoY. Revenue from business targeting the salesperson market increased 12.6% YoY. On top of major advertising campaigns launched in January 2019, the company implemented various initiatives geared at improving product appeal including the enhancement of smartphone app for *type* and the addition of AI matching functionalities. As a result, trends in metrics such as acquisition of newly registered members and number of job applications remained positive with newly registered members increasing 15.2% and job applications rising 17.6%. The introduction of marketing automation (MA) tools are also showing results.
- ▷ In tandem with rising revenue, annual advertisement costs exceeded the company's initial forecast by about JPY70mn. The company explained that increased media appearances of the *type* brand has bolstered its recognition compared to before the large advertisement campaign.
- ▷ Revenue from business targeting the female market was down 1.4% YoY. The number of new registrants was up 15.6% YoY and job applications rose 7.9% YoY but competition for market share intensified. A change in a major search engine's algorithm caused its ranking to fall from the start of August, resulting in a drop in the number of new registrants. However, the problem was dealt with and its search ranking returned to its original position by mid-September.

Recruiting Agency business

FY09/19 sales were JPY2.6bn (+5.0% YoY). Results came in below expectations as revenue dropped by a large margin in Q4. Recurring profit decreased to JPY438mn (-14.3% YoY). As Recruiting Agency business maintains the highest profit margin within the company, the sharp drop in Q4 revenue was a factor in lowering the company's overall profit.

- ▷ The company assessed that, while the market is evolving, corporate recruiting needs remain strong, and the sharp drop in Q4 revenue was due mainly to the weakening of internal organizational strength. With the business growing, the company increased new graduate and mid-career hires. While the organization rapidly grew, resignations of managers and mid-level employees temporarily increased. The average turnover within the Recruiting Agency business (comprised of roughly 60 salespeople and 60 career advisors) hovers near five persons per year; however, in FY09/19 this increased to around 10 people. This led to a shortage of managers and a higher ratio of junior employees, and as a result, the company became slower to respond to changes in the business environment, thereby decreasing the matching accuracy for jobseekers and companies seeking employees, ultimately resulting in a YoY revenue decline in Q4. Warning signs were likely apparent during Q3 as Q4 revenues are based on sales efforts during Q3.
- ▷ The number of successful matches declined. As the proportion of higher rate IT professionals also decreased, the sales mix worsened, and the average billing rate declined. Also, on the new registrant side, while the company achieved its overall new registrant target, the target for IT professionals was not met.

New Graduate Media business

FY09/19 revenue was JPY362mn (+12.7% YoY), and recurring profit increased to JPY62mn (+14.8% YoY). Revenue was above company forecast.

- ▷ Sales increased steadily due to events in Tokyo and the Kansai region targeting students scheduled to graduate in 2021. Events targeting science/engineering students also fared well.
- ▷ Sales were firm for individual seminars to match the specific hiring needs of companies seeking employees.
- ▷ The company held several events, ran efficient advertising operations, and reviewed membership acquisition channels, which led to steady performance.

New Graduate Introduction business

FY09/19 revenue was JPY163mn (+18.4% YoY), and recurring profit grew to JPY12mn (up from a JPY21mn recurring loss in FY09/18) and the business turned a profit.

- ▷ The company steadily won new projects and gained student registrations, increasing the number of active placements for students graduating in 2019 and 2020, and growing the number of successful placements YoY.

IT Worker Dispatch business

FY09/19 revenue was JPY4.0bn (+19.1% YoY), and recurring profit rose to JPY227mn (+32.0% YoY). Revenue was above company forecast.

- ▷ The company strengthened efforts to garner contracts, particularly for engineers, and the number of newly dispatched staff rose favorably.
- ▷ The company was able to hold down turnover and increase the number of dispatch workers to 911 (+14.3% YoY).
- ▷ The number of new registrations was solid, helped by an increase in advertising.

Q3 FY09/19 results

Overview

Cumulative (JPYmn)	FY09/17				FY09/18				FY09/19			FY09/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Revenue	2,172	4,670	7,203	9,894	2,477	5,231	7,988	10,976	2,801	5,882	8,963	73.8%	12,140
YoY	14.1%	14.1%	14.9%	15.4%	14.0%	12.0%	10.9%	10.9%	13.1%	12.4%	12.2%		10.6%
Gross profit	1,384	3,076	4,766	6,615	1,574	3,382	5,132	7,119	1,651	3,614	5,530		
YoY	13.4%	13.0%	14.4%	15.4%	13.7%	9.9%	7.7%	7.6%	4.9%	6.9%	7.8%		
GPM	63.7%	65.9%	66.2%	66.9%	63.5%	64.7%	64.2%	64.9%	58.9%	61.5%	61.7%		
SG&A expenses	1,273	2,634	4,056	5,461	1,440	2,997	4,480	5,953	1,553	3,211	4,903		
YoY	13.3%	13.5%	15.4%	15.6%	13.1%	13.8%	10.5%	9.0%	7.8%	7.2%	9.4%		
SG&A ratio	58.6%	56.4%	56.3%	55.2%	58.1%	57.3%	56.1%	54.2%	55.4%	54.6%	54.7%		
Operating profit	111	442	707	1,154	133	384	652	1,166	98	403	627	62.7%	1,000
YoY	15.6%	10.5%	8.8%	14.8%	19.8%	-13.1%	-7.8%	1.1%	-26.1%	4.9%	-3.8%		-14.3%
OPM	5.1%	9.5%	9.8%	11.7%	5.4%	7.3%	8.2%	10.6%	3.5%	6.9%	7.0%		8.2%
Recurring profit	112	445	711	1,158	134	386	654	1,170	105	410	636	63.6%	1,000
YoY	15.5%	10.1%	8.5%	14.8%	19.6%	-13.3%	-8.0%	1.0%	-21.5%	6.2%	-2.7%		-14.5%
RPM	5.2%	9.5%	9.9%	11.7%	5.4%	7.4%	8.2%	10.7%	3.8%	7.0%	7.1%		8.2%
Net income	70	294	466	803	82	250	431	803	66	272	489	70.8%	690
YoY	25.0%	14.8%	13.4%	19.0%	17.1%	-15.0%	-7.5%	0.0%	-19.3%	8.8%	13.4%		-14.0%
Net margin	3.2%	6.3%	6.5%	8.1%	3.3%	4.8%	5.4%	7.3%	2.4%	4.6%	5.5%		5.7%

Quarterly (JPYmn)	FY09/17				FY09/18				FY09/19		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	2,172	2,498	2,533	2,691	2,477	2,754	2,757	2,988	2,801	3,080	3,081
YoY	14.1%	14.1%	16.6%	16.8%	14.0%	10.2%	8.8%	11.0%	13.1%	11.8%	11.8%
Gross profit	1,384	1,692	1,690	1,849	1,574	1,808	1,750	1,987	1,651	1,964	1,916
YoY	13.4%	12.6%	17.1%	18.1%	13.7%	6.9%	3.6%	7.5%	4.9%	8.6%	9.5%
GPM	63.7%	67.7%	66.7%	68.7%	63.5%	65.6%	63.5%	66.5%	58.9%	63.8%	62.2%
SG&A expenses	1,273	1,361	1,422	1,405	1,440	1,557	1,483	1,473	1,553	1,659	1,692
YoY	13.3%	13.7%	19.2%	16.0%	13.1%	14.4%	4.3%	4.8%	7.8%	6.5%	14.1%
SG&A ratio	58.6%	54.5%	56.1%	52.2%	58.1%	56.5%	53.8%	49.3%	55.4%	53.9%	54.9%
Operating profit	111	331	265	447	133	251	268	514	98	305	224
YoY	15.6%	8.9%	6.0%	25.8%	19.8%	-24.2%	1.1%	15.1%	-26.1%	21.4%	-16.4%
OPM	5.1%	13.3%	10.5%	16.6%	5.4%	9.1%	9.7%	17.2%	3.5%	9.9%	7.3%
Recurring profit	112	333	266	447	134	252	268	516	105	305	227
YoY	15.5%	8.5%	6.0%	26.2%	19.6%	-24.3%	0.8%	15.4%	-21.5%	20.9%	-15.5%
RPM	5.2%	13.3%	10.5%	16.6%	5.4%	9.2%	9.7%	17.3%	3.8%	9.9%	7.4%
Net income	70	224	172	337	82	168	181	372	66	206	217
YoY	25.0%	12.0%	11.0%	27.8%	17.1%	-25.0%	5.2%	10.3%	-19.3%	22.5%	19.7%
Net margin	3.2%	9.0%	6.8%	12.5%	3.3%	6.1%	6.6%	12.4%	2.4%	6.7%	7.0%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

- ▷ Cumulative Q3 revenue was JPY9.0bn (+12.2% YoY), ahead of plan, primarily due to higher-than-expected revenue logged in Media Information thanks to continued recovery of job applications count.
- ▷ Cumulative Q3 operating profit was JPY627mn (-3.8% YoY), recurring profit was JPY636mn (-2.7% YoY), and net income attributable to owners of the parent was JPY489mn (+13.4% YoY). While advertising expenses chiefly for the job-change website *type* increased in tandem with higher revenue in Media Information, costs were reduced elsewhere in the company and recurring profit finished ahead of plan as a result.
- ▷ The full-year outlook remains unchanged. As mentioned at its 1H results briefing, the company is also considering additional advertising spending in Q4 in response to revenue conditions and the increase in job listings.

Overview by business

Cumulative (JPYmn)	FY09/17				FY09/18				FY09/19		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	2,172	4,670	7,203	9,894	2,477	5,231	7,988	10,975	2,801	5,882	8,963
YoY					14.0%	12.0%	10.9%	10.9%	13.1%	12.4%	12.2%
Media Information	983	2,165	3,330	4,656	1,063	2,349	3,447	4,758	1,066	2,462	3,649
YoY					8.1%	8.5%	3.5%	2.2%	0.3%	4.8%	5.9%
% of total	45.2%	46.4%	46.2%	47.1%	42.9%	44.9%	43.2%	43.4%	38.1%	41.9%	40.7%
Recruiting Agency	480	1,044	1,612	2,169	562	1,161	1,803	2,451	646	1,283	2,038
YoY					17.0%	11.1%	11.8%	13.0%	15.1%	10.6%	13.0%
% of total	22.1%	22.4%	22.4%	21.9%	22.7%	22.2%	22.6%	22.3%	23.1%	21.8%	22.7%
New Graduate Media	74	157	229	299	76	155	246	322	88	177	287
YoY					2.9%	-1.2%	7.3%	7.7%	16.5%	13.9%	16.7%
% of total	3.4%	3.4%	3.2%	3.0%	3.1%	3.0%	3.1%	2.9%	3.2%	3.0%	3.2%
New Graduate Introduction	15	24	59	103	13	31	81	138	23	50	99
YoY					-11.5%	25.7%	38.2%	34.1%	78.8%	64.3%	21.7%
% of total	0.7%	0.5%	0.8%	1.0%	0.5%	0.6%	1.0%	1.3%	0.8%	0.9%	1.1%
IT Worker Dispatch	628	1,294	1,997	2,699	772	1,550	2,435	3,342	987	1,927	2,914
YoY					22.8%	19.8%	21.9%	23.8%	27.9%	24.3%	19.7%
% of total	28.9%	27.7%	27.7%	27.3%	31.2%	29.6%	30.5%	30.5%	35.2%	32.8%	32.5%

Quarterly (JPYmn)	FY09/17				FY09/18				FY09/19		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	2,172	2,498	2,533	2,690	2,477	2,754	2,757	2,987	2,801	3,080	3,081
YoY					14.0%	10.2%	8.8%	11.0%	13.1%	11.8%	11.8%
Media Information	983	1,182	1,165	1,326	1,063	1,286	1,098	1,311	1,066	1,396	1,187
YoY					8.1%	8.8%	-5.7%	-1.1%	0.3%	8.5%	8.1%
% of total	45.2%	47.3%	46.0%	49.3%	42.9%	46.7%	39.8%	43.9%	38.1%	45.3%	38.5%
Recruiting Agency	480	565	568	556	562	599	642	648	646	637	754
YoY					17.0%	6.1%	13.0%	16.5%	15.1%	6.3%	17.4%
% of total	22.1%	22.6%	22.4%	20.7%	22.7%	21.8%	23.3%	21.7%	23.1%	20.7%	24.5%
New Graduate Media	74	84	72	69	76	80	91	75	88	89	110
YoY					2.9%	-4.7%	25.6%	9.0%	16.5%	11.5%	21.5%
% of total	3.4%	3.3%	2.9%	2.6%	3.1%	2.9%	3.3%	2.5%	3.2%	2.9%	3.6%
New Graduate Introduction	15	10	35	44	13	18	51	56	23	27	49
YoY					-11.5%	81.2%	47.1%	28.5%	78.8%	53.8%	-3.8%
% of total	0.7%	0.2%	0.5%	0.4%	0.5%	0.3%	0.6%	0.5%	0.8%	0.5%	0.5%
IT Worker Dispatch	628	666	703	702	772	778	884	908	987	940	988
YoY					22.8%	16.9%	25.9%	29.3%	27.9%	20.7%	11.7%
% of total	28.9%	26.7%	27.7%	26.1%	31.2%	28.3%	32.1%	30.4%	35.2%	30.5%	32.0%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Media Information business

- ▷ Cumulative Q3 revenue was JPY3.6bn (+5.9% YoY).
- ▷ Revenue from business targeting engineers continued to recover showing 13.1% YoY growth.
- ▷ Revenue from business targeting the female market was up 0.6% YoY.
- ▷ Revenue from business targeting the salesperson market increased 4.8% YoY.
- ▷ Concentrating advertising investment chiefly into the job-change website *type* has improved revenue from businesses targeting engineers and the salesperson market. Although growth in revenue from business targeting the female market has slowed, results have been in line with the initial forecast.
- ▷ The main reason for the increase in revenue was growth in the number of job listings handled. There has been no significant change in average unit price in recent years.
- ▷ There was also no significant change in the cost of acquiring registered members.
- ▷ On top of continued advertising campaigns, the company implemented various initiatives geared at improving product appeal including the enhancement of smartphone app for *type*. As a result, trends in metrics such as acquisition of new registered members and number of job applications remained positive.

Recruiting Agency business

- ▷ Cumulative Q3 sales were JPY2.0bn (+13.0% YoY).
- ▷ Revenue from business targeting the engineer and female market was robust, despite slightly falling behind plan.
- ▷ Registrations from other routes strengthened, and new registrations were solid.

New Graduate Media business

- ▷ Cumulative Q3 revenue was JPY287mn (+16.7% YoY).
- ▷ Sales increased steadily due to events in Tokyo and the Kansai region targeting students scheduled to graduate in 2021. Events targeting science/engineering students also fared well.
- ▷ Sales were firm for individual seminars to match the specific hiring needs of companies seeking employees.
- ▷ The company held several events, leading to steady performance.
- ▷ It has also received additional orders from companies having a hard time recruiting new graduates, especially in the IT industry, where there is significant competition for potential recruits.

New Graduate Introduction business

- ▷ Cumulative Q3 revenue was JPY99mn (+21.7% YoY).
- ▷ The company was able to win new projects and boost registration of students graduating in 2020, and the number of successful placements was again well up on the previous year.
- ▷ Q3 results were below projections. Many companies conducted recruitment ahead of the times predicted in CDC's initial forecast, so more students completed their job searches during 1H. This resulted in CDC's revenue being weighted toward 1H. This trend may continue into 2020 and beyond.

IT Worker Dispatch business

- ▷ Cumulative Q3 revenue was JPY2.9bn (+19.7% YoY).
- ▷ The company strengthened efforts to garner contracts, particularly for engineers, and the number of newly dispatched staff rose favorably.
- ▷ The company held down turnover among dispatch workers and was able to increase the number of those in operation.
- ▷ The number of new registrations was solid, helped by an increase in advertising.
- ▷ There was no significant change in average unit price, and growth in the number of dispatched staff was the main reason for revenue growth.

Other information

History

Date	Description
July 1993	Career Design Center Co., Ltd., established
May 1994	First publication of type
May 1997	First publication of Engineer type (bimonthly)
April 2000	Launch of type, a website specializing in information for people wanting to move upward in their careers
June 2001	First publication of Working Woman type (quarterly)
October 2004	Listed on the Hercules section of the Osaka Securities Exchange
July 2005	Woman type becomes bimonthly
October	Launch of Onna no Tenshoku type, a job-search site for women who aim to be regular employees
April 2006	Launch of Eigyo no Tenshoku type, a job-search site for salespeople aiming to move up in their careers
September	Listed on the Second Section of the Tokyo Stock Exchange
October 2007	First publication of Shukatsu type, a job listings magazine
November	Start of the type Shukatsu Fair, a joint company information seminar for new university graduates
February 2009	Publication of Engineer type discontinued
March	Publication of Woman type discontinued
June	Launch of Care Workers Onna no Tenshoku type, a job-search site specializing in jobs related to care-giving, healthcare, and welfare
July	Launch of Sales and Service Work type, a job-search site specializing in employment in the sales and service sector
October	Start of type's IT Haken, a temporary staffing service for IT worker dispatching
April 2011	Publication of type discontinued
April	First publication of Engineer type as an online magazine
October	First publication of Woman type as an online magazine
July 2013	Listed on the First Section of the Tokyo Stock Exchange
October	Establishment of Career Design IT Partners Co., Ltd.
October 2014	Full-scale launch of Shukatsu type Agent in the New Graduate Introduction business
January 2015	Launch of type Eigyo no Tenshoku Plus, a job-search site specializing in sales positions
January	First publication of Eigyo type, an online magazine
October 2016	Launch of type members' park as a new source of user acquisition for type Tenshoku services

Source: Shared Research based on company data

News and topics

April 2020

On April 30, 2020, the company announced revisions to its full-year earnings and dividend forecasts.

On April 30, 2020, the company revised its FY09/20 earnings and dividend forecasts, indicating recasting them as "undetermined." The company indicates that achieving projections in its initial earnings forecast will be difficult and that predicting the impact of the COVID-19 pandemic is currently problematic. Moving forward, the company maintains that it will continue to conduct business while closely monitoring the impact of the pandemic and associated economic trends and that it will promptly announce changes to its earnings forecast when it is capable of making reasonable projections. In Q3, the company expects a substantial decline in revenue. Although it will cut back on costs, including advertising expenses, the company anticipates that it will record a recurring loss in Q3. As of April 30, 2020, the company does not project a recurring loss for full-year FY09/20. CDC will release a revised dividend forecast once it is able to announce its FY09/20 earnings forecast.

Rollout of products, services, and new businesses; changes in labor laws and regulations

Mid-career recruiting businesses		New businesses	Regulations
1986			Enactment of the Equal Employment Act Enactment of the Worker Dispatching Act
1993	Established Career Design Center		
1994	First publication of type		
1995			
1996			Enactment of the revised Worker Dispatching Act (expansion to 26 types of work) Enactment of the revised Labor Standards Act (establishing a 40-hour workweek)
1997	First publication of Engineer type		
1998		Launch of Recruiting Agency business	
1999			Revised Equal Employment Act Enactment of the revised Worker Dispatching Act (liberalization, in principle)
2000	Launch of type, a career change website		
2001	Launch of Woman type		
2002			
2003			
2004			Enactment of the revised Worker Dispatching Act (set three years as the timeframe for liberalization, lifted restrictions on the temporary placement of manufacturing employees) Enactment of the revised Act on Stabilization of Employment of Elderly Persons
2005	Launch of Onna no Tenshoku type		
2006	Launch of Eigyo no Tenshoku type		
2007		First publication of Shukatsu type	Enactment of the revised Employment Measures Act (prohibiting age-based discrimination)
2008			Enactment of the Labor Contract Act
2009			
2010		Launch of IT Worker Dispatch business (general worker dispatch business)	Introduction of a plan to optimize the temporary employment of people in 26 specialized categories
2011			
2012			Enactment of the revised Worker Dispatching Act (effectively eliminating day labor and restricting temporary employment within corporate groups)
2013			
2014		Launch of New Graduate Introduction business Established Career Design IT Partners Co., Ltd.	
2015			Enactment of the revised Worker Dispatching Act (eliminating the notification system and moving to a unified permission-based system) (limiting the temporary assignment period to three years for fixed-term workers)
2016			
2017			
2018			
2019			
2020			Enactment of the revised Worker Dispatching Act (equal pay for equal work)

Source: Shared Research based on company data

Corporate governance and top management

Corporate governance

Form of organization and capital structure	
Form of organization	Company with Audit & Supervisory Board
Controlling shareholder	None
Directors and member of Audit & Supervisory Board	
Number of directors per Articles of Incorporation	10
Number of directors	7
Terms of directors per Articles of Incorporation	2
Chairman of the Board of Directors	President
Number of outside directors	2
Number of independent outside directors	2
Number of member of Audit & Supervisory Board per Articles of Incorporation	5
Number of member of Audit & Supervisory Board	3
Number of outside members of Audit & Supervisory Board	2
Number of independent outside members of Audit & Supervisory Board	2
Other	
Nomination and Compensation Committees	In place as voluntary advisory committees
Participation in electronic voting platform	In place
Providing convocation notice (summary) in English	None
Implementation of measures regarding director incentives	Stock option system in place
Eligible for stock options	Internal directors and employees
Disclosure of individual director's compensation	None
Policy on determining amount of compensation and calculation methodology	None
Corporate takeover defenses	None

Source: Shared Research based on company data

Top management

Hiromi Tada, Chairman and CEO

Joined Japan Recruit Center (now Recruit Co., Ltd.) in 1970. As general manager, in 1977 launched the publications Travail, Monthly Housing, Car Sensor, and AB Road. Appointed director in charge of the lifestyle information magazine business in 1987, director in charge of the communication network business in 1988, and director in charge of the mid-career recruiting business in 1989. He left the company in 1993 to establish Career Design Center Co., Ltd. (CDC) and became chairman and CEO in 2006.

Hiromi Tada, Chairman and CEO



Source: Career Design Center website

Dividend policy

CDC's fundamental policy is to disburse dividends based on operating performance, taking into overall consideration such factors as the need to retain internal reserves and the company's financial status. The company pays dividends from surplus at financial year-end, with interim dividends depending on performance. Year-end dividend amounts are determined at the general meeting of shareholders, while the Board of Directors determines interim dividends. The company targets a dividend payout ratio of over 30%.

(JPY)	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	FY09/19
Dividend per share	25.0	30.0	30.0	38.0	38.0	45.0
Payout ratio	23.9%	58.6%	33.5%	36.4%	31.7%	42.0%

Source: Shared Research based on company data

Major shareholders

Top shareholders	Shared held ('000)	Shareholding ratio
Hiromi Tada	1,125	16.7%
The Master Trust Bank of Japan, Ltd. (Trust account)	836	12.4%
KBL EPB S.A. 107704	641	9.5%
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OMO02 505002	340	5.0%
Japan Trustee Services Bank, Ltd. (Trust account)	280	4.1%
GOLDMAN, SACHS & CO. REG	120	1.8%
Diamond, Inc.	120	1.8%
BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND	110	1.6%
Japan Trustee Services Bank, Ltd. (Trust account 5)	95	1.4%
Motoo Nakagiri	93	1.4%
SUM	3,760	55.6%

Note: As of September 30, 2018, calculated on the basis of 7,054,000 shares issued and outstanding, less 339,000 treasury shares
Source: Shared Research based on company data

Employees

No. of employees (year-end)	FY09/10	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	FY09/19
Consolidated	-	-	-	-	369	420	490	581	605	651
YoY change	-	-	-	-	-	+ 51	+ 70	+ 91	+ 24	+ 46
Parent	225	235	274	312	340	388	449	534	552	589
YoY change	- 54	+ 10	+ 39	+ 38	+ 28	+ 48	+ 61	+ 85	+ 18	+ 37

Source: Shared Research based on company data

The company is working to hire more women. As of September 30, 2019, 55% of all employees were women, almost all women taking time off for child-rearing returned to the company, and more than 40% of managers were women.

Profile

Company Name	Head Office
Career Design Center Co., Ltd.	3-21-20, Akasaka, Minato-ku, Tokyo
Phone	Listed On
+81-3-3560-1611	Tokyo Stock Exchange First Section
Established	Exchange Listing
July 1993	July 2013
Website	Financial Year-End
http://cdc.type.jp/ (Japanese only)	September
IR Contact	IR Web
ir@type.jp	http://cdc.type.jp/ir/ (Japanese only)

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <https://sharedresearch.jp>.

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Aeon Delight Co., Ltd.	DIP Corporation	KFC Holdings Japan, Ltd.	SATO HOLDINGS CORPORATION
Aeon Fantasy Co., Ltd.	Doshisha Corporation	KI-Star Real Estate Co., Ltd.	SBS Holdings, Inc.
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AI inside Inc.	Earth Corporation	Kumiai Chemical Industry Co., Ltd.	Seria Co.,Ltd.
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and factory, inc.	Elecom Co., Ltd.	Locondo, Inc.	SHIFT Inc.
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Anritsu Corporation	Ferrotec Holdings Corporation	Medical System Network Co., Ltd.	SMS Co., Ltd.
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Artspark Holdings Inc.	First Brothers Col, Ltd.	Mercuria Investment Co., Ltd.	SOURCENEXT Corporation
AS ONE CORPORATION	FreeBit Co., Ltd.	Micronics Japan Co., Ltd.	Star Mica Holdings Co., Ltd.
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Aucfan Co., Ltd.	Gamecard-Joyco Holdings, Inc.	Monex Goup Inc.	SymBio Pharmaceuticals Limited
AVANT CORPORATION	GameWith, Inc.	MORINAGA MILK INDUSTRY CO., LTD.	Syncho Food Co., Ltd.
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AZIA CO., LTD.	Grandy House Corporation	NAIGAI TRANS LINE LTD.	Take and Give Needs Co., Ltd.
AZoom, Co., Ltd.	Hakuto Co., Ltd.	NanoCarrier Co., Ltd.	Takihyo Co., Ltd.
Base Co., Ltd	Hamee Corp.	Net Marketing Co., Ltd.	TEAR Corporation
BEEVOS Inc.	Happinet Corporation	Net One Systems Co.,Ltd.	Tenpo Innovation Inc.
Bell-Park Co., Ltd.	Harmonic Drive Systems Inc.	Nichi-Iko Pharmaceutical Co., Ltd.	3-D Matrix, Ltd.
Benefit One Inc.	HENNGE K.K.	Nihon Denkei Co., Ltd.	TKC Corporation
B-lot Co.,Ltd.	HOUSEDO Co., Ltd.	Nippon Koei Co., Ltd.	TKP Corporation
Broadleaf Co., Ltd.	H2O Retailing Corporation	NIPPON PARKING DEVELOPMENT Co., Ltd.	Tsuzuki Denki Co., Ltd.
CanBas Co., Ltd.	IDOM Inc.	NIPRO CORPORATION	TOCALO Co., Ltd.
Canon Marketing Japan Inc.	IGNIS LTD.	Nisshinbo Holdings Inc.	TOKAI Holdings Corporation
Career Design Center Co., Ltd.	i-mobile Co.,Ltd.	NS TOOL CO., LTD.	Tokyu Construction Co., Ltd.
Carna Biosciences, Inc.	Inabata & Co., Ltd.	OHIZUMI MFG. CO., LTD.	TOYOBO CO., LTD.
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CERES INC.	Infomart Corporation	Oki Electric Industry Co., Ltd	Toyo Tanso Co., Ltd.
Chiyoda Co., Ltd.	Intelligent Wave, Inc.	ONO SOKKI Co., Ltd.	Tri-Stage Inc.
Chori Co., Ltd.	ipet Insurance CO., Ltd.	ONWARD HOLDINGS CO.,LTD.	TSURUHA Holdings
Chugoku Marine Paints, Ltd.	Itochu Enex Co., Ltd.	Pan Pacific International Holdings Corporation	VISION INC.
cocokara fine Inc.	JAFCO Co.,Ltd.	PARIS MIKI HOLDINGS Inc.	VISIONARY HOLDINGS CO., LTD.
COMSYS Holdings Corporation	JMDC Inc.	PIGEON CORPORATION	WirelessGate, Inc.
COTA CO.,LTD.	JSB Co., Ltd.	QB Net Holdings Co., Ltd.	YELLOW HAT LTD.
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Daiseki Co., Ltd.	JINS HOLDINGS Inc.	ROUND ONE Corporation	
Demae-Can CO., LTD	JP-HOLDINGS, INC.	RYOHIN KEIKAKU CO., LTD.	

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