



1st Quarter of Fiscal Year Ending March 2023 (FY2023)

# Financial Results Briefing Material

Confidence Inc.

Securities code: 7374

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# 01

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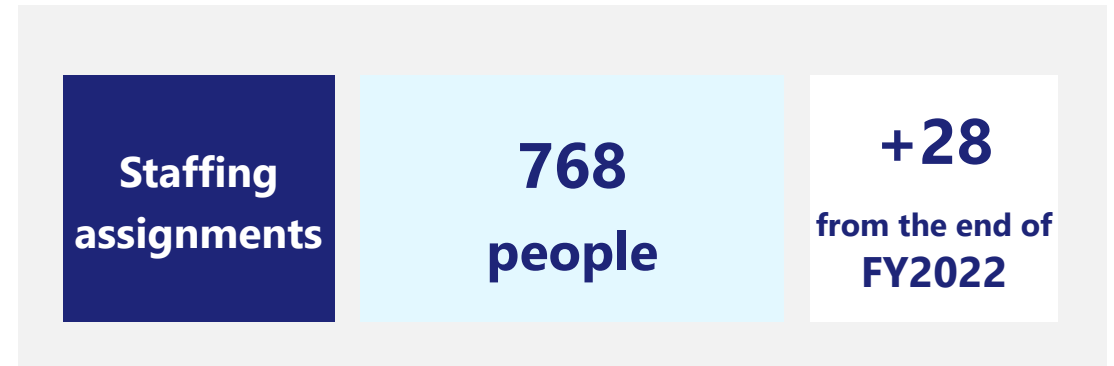
## Executive Summary

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# Financial Highlights of Q1 FY2023

- Revenue grew **20.0%** year on year, with the number of creator staffing assignments increased by **28 people** from the end of the previous fiscal year
- Operating profit margin surpassed the target of “more than 15%” as costs were controlled appropriately

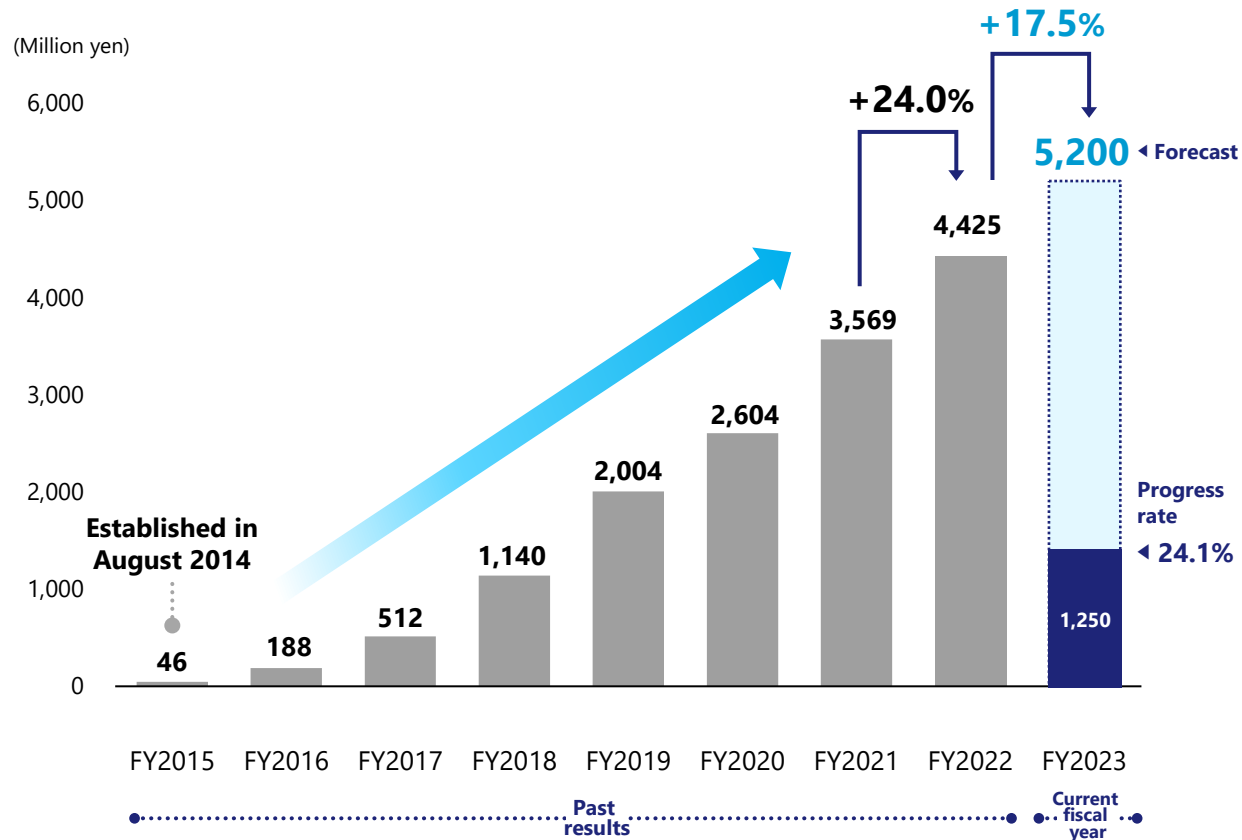
## Q1 results



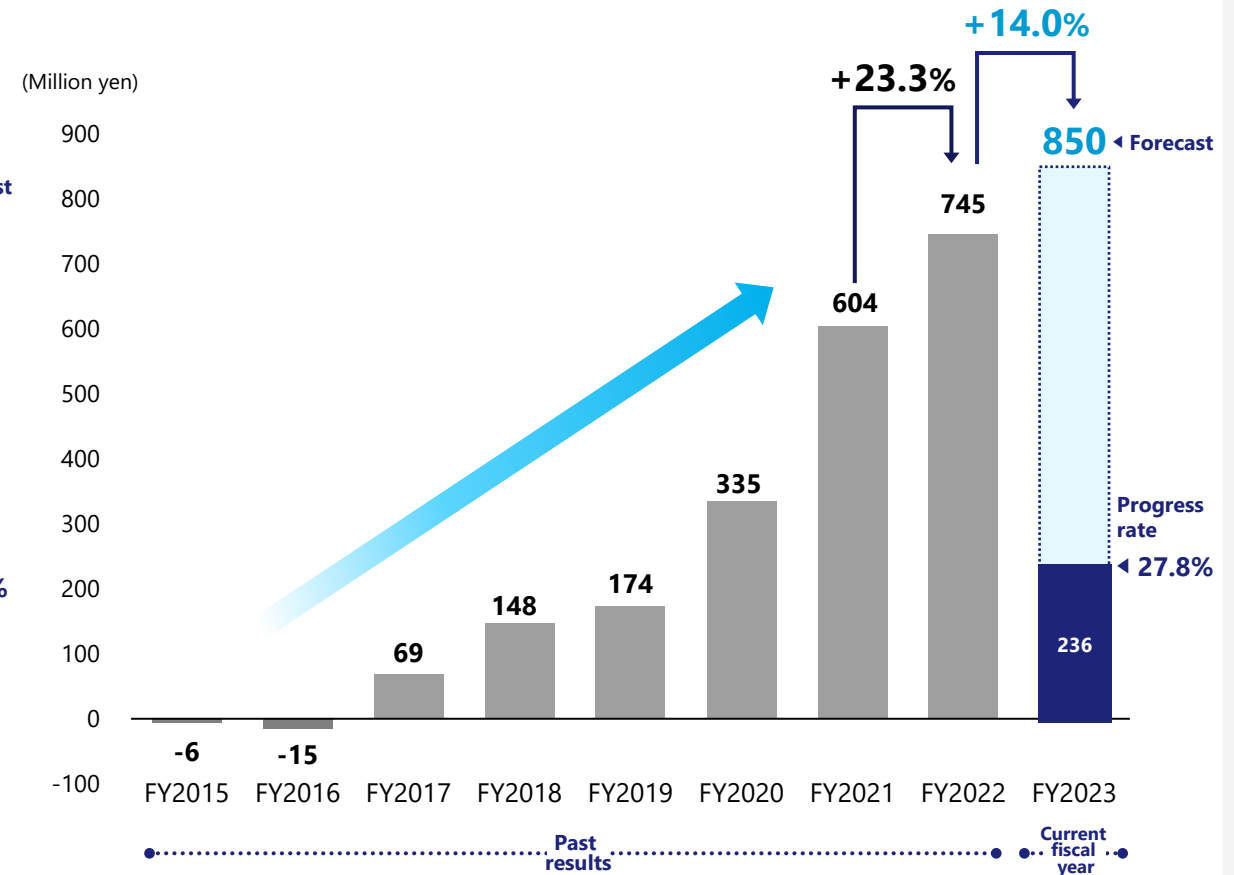
# Q1 FY2023 Performance Trends

- FY2023 (ending March 2023) : Revenue of **5,200 million yen** and operating profit of **850 million yen** set as targets, announced on May 12, 2022 in the Summary of Consolidated Financial Results for the Fiscal Year Ended March 2022
- Progress rate achieved as planned for Q1 → [Progress rate] revenue: **24.1%** (23.8% a year earlier) / operating profit: **27.8%** (25.2% a year earlier)

## Revenue



## Operating profit



# 02

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## Company Overview

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## Vision

### Envisioning the future together at the frontline of the creative industry

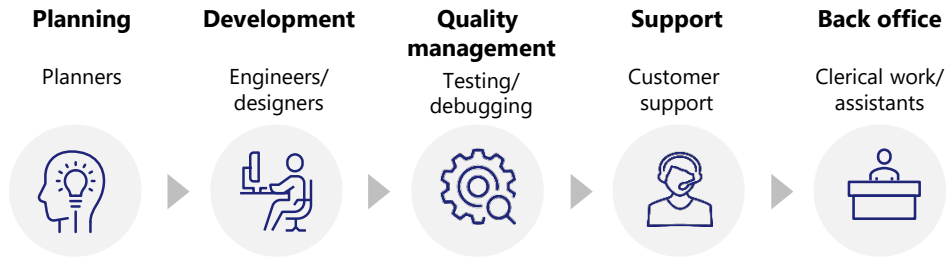
**Jointly create a future in which creators achieve their dreams of career enhancement, the products in which they were involved are well-received, which leads to the advancement of client organizations, the industry, and society**

<b>Company name</b>	Confidence Inc.			
<b>Representative</b>	Nobuyuki Takushi, President Joined Staff Service Co., Ltd. (currently Staff Service Holdings Co., Ltd.) in 1996, and worked as a sales manager and a person in charge of recruiting in the Human Resources Department. Joined Staff Service Sales Marketing Co., Ltd. (currently Link Agent Inc.) and, as Director and General Manager of Marketing, drove growth of such departments as staffing, recruitment and outsourcing. Took office as President of Confidence Inc. in 2015 (current position).			
<b>Established</b>	August 2014			
<b>Head office location</b>	BYGS Shinjuku Bldg, 10F 2-19-1 Shinjuku, Shinjuku-ku, Tokyo			
<b>Consolidated subsidiary</b>	Dolphin Inc.			
<b>Officers</b>	President	Nobuyuki Takushi	Outside Director	Hirofumi Miki
	Senior Managing Director	Takuro Yoshikawa	Outside Director	Toshinori Aoki
	Director and General Manager, Administration Division	Koji Nagai	Outside Auditor	Takashi Yachi
	Outside Director	Reona Amemiya	Outside Auditor	Tadahiko Yasukuni
	Outside Director	Midori Mizutani	Outside Auditor	Kenya Fujimori
<b>Paid-in capital</b>	497.48 million yen (as of June 30, 2022)			
<b>Line of business</b>	Staffing, recruitment and outsourcing services for gaming and entertainment industries Media operations			
<b>No. of employees</b>	885 (as of June 30, 2022)			

## 1. HR Solution business

### Staffing business/recruitment business

Accommodate the needs of each phase/department



### Outsourcing business

Provide outsourcing support from development to operation phases



## 2. Media business

### Media site operations

#### Lovely

Media for women



#### Plush

Fortune-telling media



#### GAMEMO

Gaming media



### Web marketing business

Conduct promotion support, such as social media operation service, based on operational know-how of media sites, and accommodate not only the gaming industry but a wide range of other industries

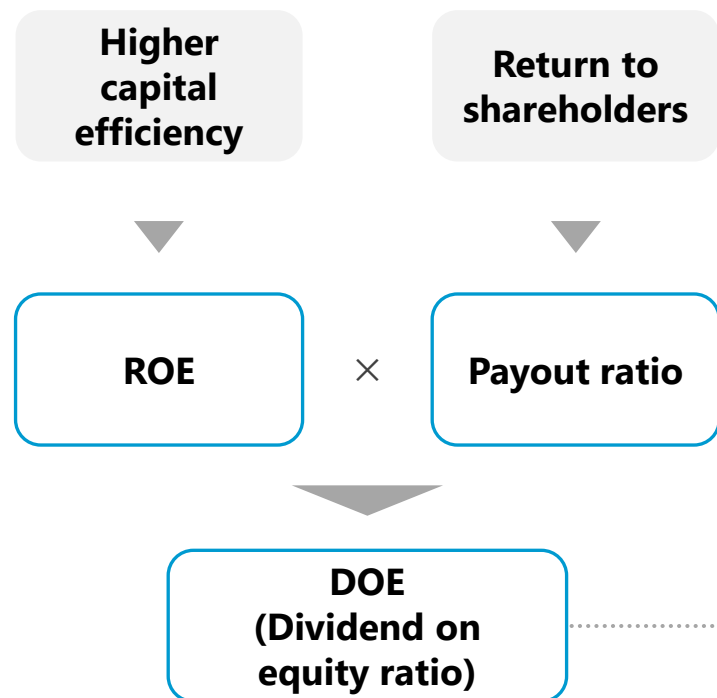




# Policy and Status of Shareholder Returns

- As our policy on shareholder returns, we aim to surpass (1) **payout ratio of over 30%** and (2) **DOE of over 10%**
- Dividend forecast for FY2023 is projected to be **45.0 yen** per share, unchanged from the forecast announced on May 12, 2022 in the Summary of Consolidated Financial Results for the Fiscal Year Ended March 2022

## Target indicators



	Forecast/target indicators	FY2022 (March 2022) (Actual)	FY2023 (March 2023) (Forecast)
Dividend per share	-	40.0 yen	<b>45.0 yen</b>
(of which, interim dividend)	-	(0.0 yen)	<b>(20.0 yen)</b>
Payout ratio	30.0%	33.8%	<b>35.2%</b>
Dividend on equity ratio (DOE)	10.0%	15.7%	<b>11.6%</b>

# 03

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## **Consolidated Financial Results and Segment Results**

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# [Consolidated] Financial Highlights of Q1 FY2023

- Revenue and respective profits grew steadily from the year-earlier period
- For FY2023 (full year), progress was made at a planned rate toward the forecast

## Q1 results

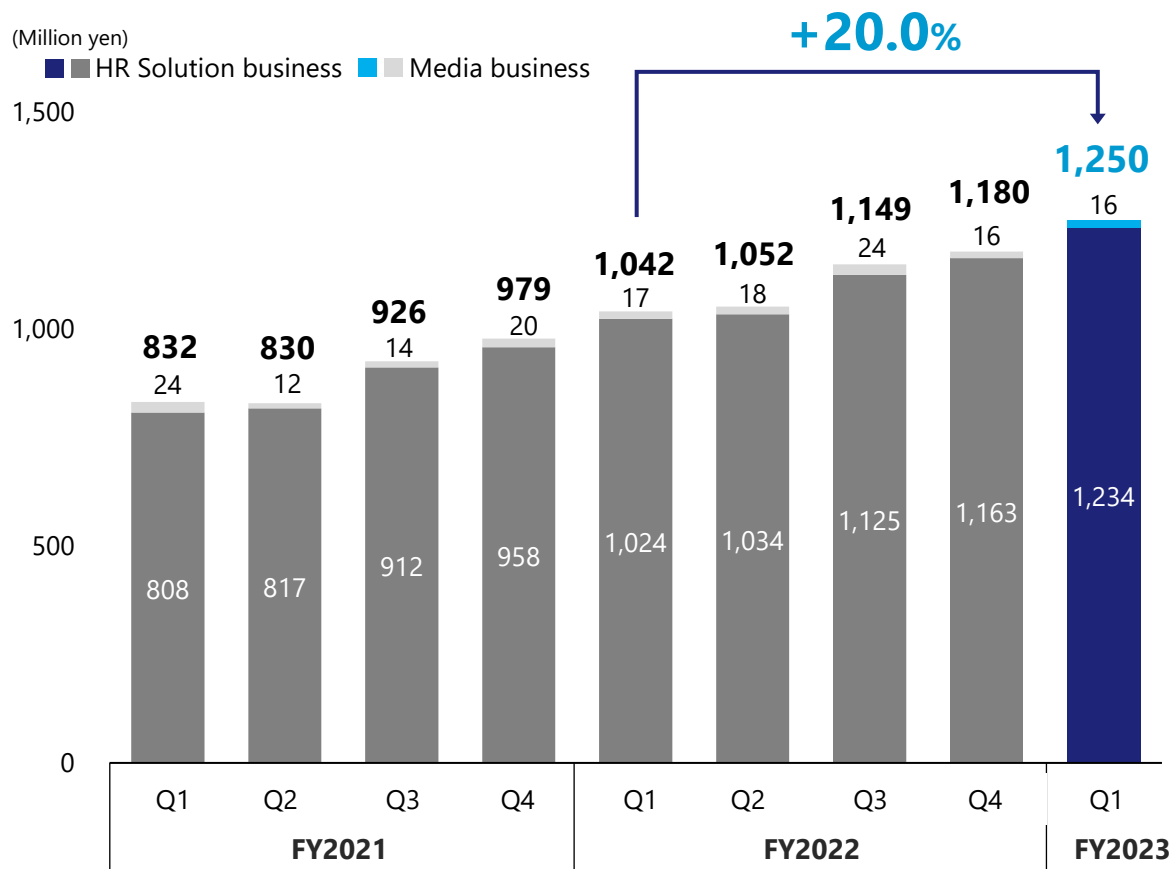
(Million yen)	FY2022 (Q1)	FY2023 (Q1)	YoY	Full year forecast (announced on May 12, 2022)	Progress rate	FY2022 (Full year)
Revenue *	1,042	<b>1,250</b>	+20.0%	5,200	24.1%	4,425
Gross profit	369	<b>449</b>	+21.5%	1,787	25.1%	1,528
Gross profit margin	35.5%	<b>35.9%</b>	+0.4 pts	34.4%	-	34.5%
Operating profit	181	<b>236</b>	+30.1%	850	27.8%	745
Operating profit margin	17.4%	<b>18.9%</b>	+1.5 pts	16.3%	-	16.8%
Ordinary profit	175	<b>236</b>	+34.8%	848	27.8%	737
Profit	116	<b>156</b>	+34.0%	585	26.6%	530

\* Figures after eliminating internal sales within the consolidated companies are indicated

# [Consolidated] Quarterly Results Trends by Business

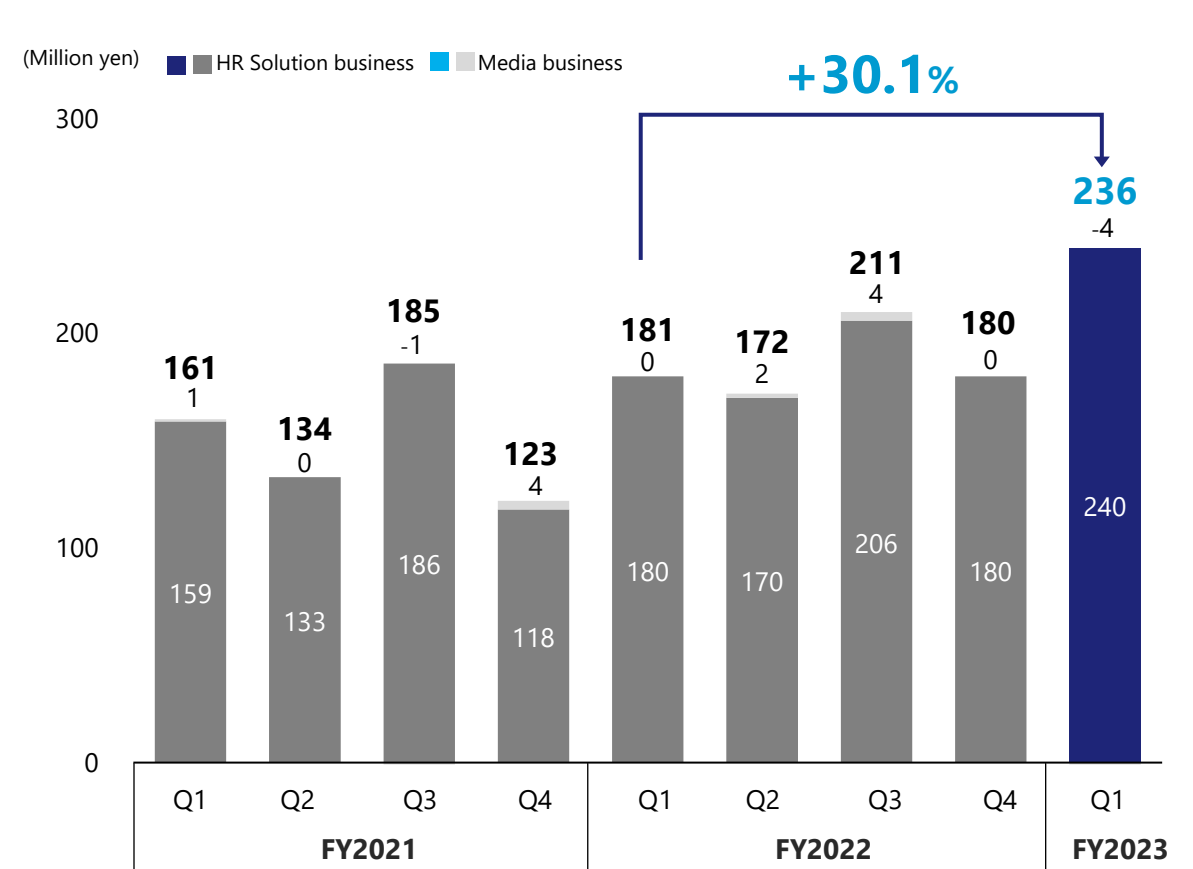
- Creator staffing assignments have increased steadily, mainly in the HR Solution business, with revenue in the first quarter growing in good shape
- Operating profit increased **30.1%** year on year, after factoring in the impact of the head office relocation and expenses related to the general meeting of shareholders, the first one since listing, as well as to the settlement of accounts

## Revenue (quarterly trends)



\* Figures after eliminating internal sales within the consolidated companies are indicated

## Operating profit (quarterly trends)



# [HR Solution Business] Financial Highlights of Q1 FY2023

- Achieved strong growth while keeping profit margin at a high level

## Q1 results

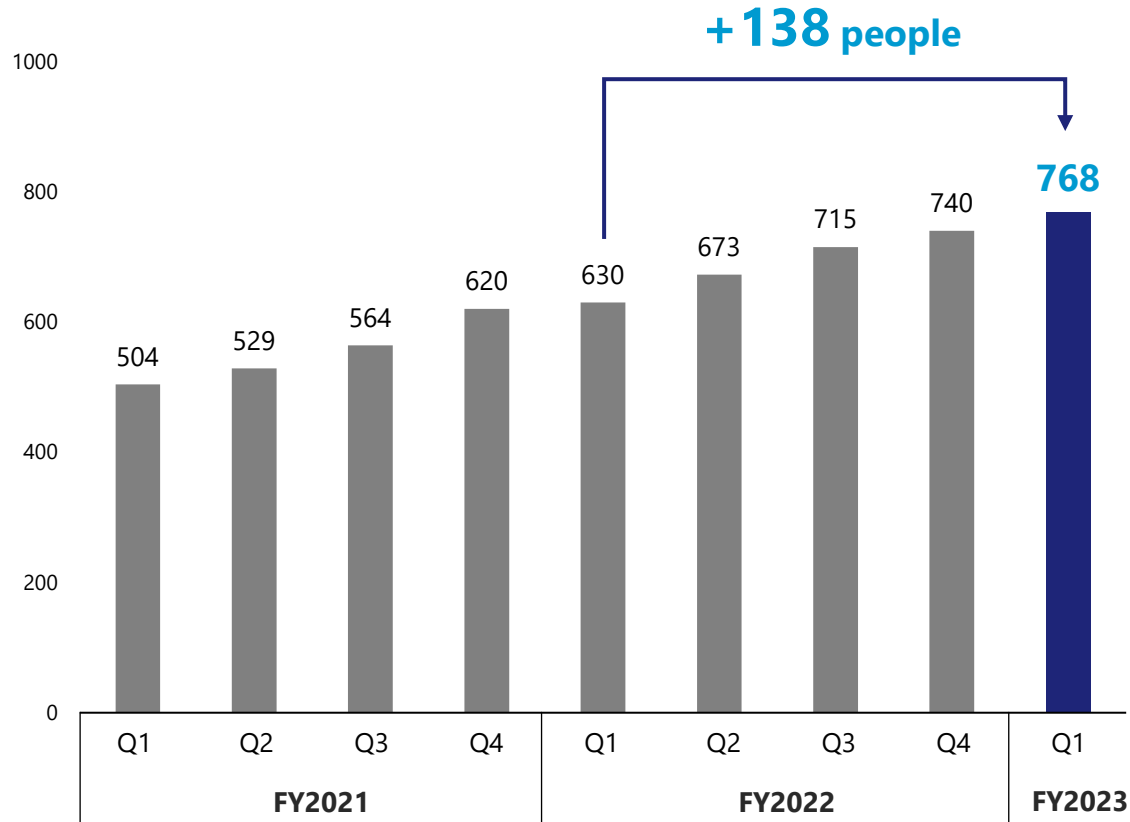
(Million yen)	FY2022 (Q1)	FY2023 (Q1)	YoY	Full year forecast (announced on May 12, 2022)	Progress rate	FY2022 (Full year)
Revenue *	1,024	<b>1,240</b>	+21.1%	5,078	24.4%	4,353
Gross profit	358	<b>444</b>	+24.0%	-	-	1,481
Gross profit margin	35.0%	<b>35.8%</b>	+0.8 pts	-	-	34.0%
Segment profit	281	<b>372</b>	+32.2%	-	-	1,166
Segment profit margin	27.5%	<b>30.0%</b>	+2.5 pts	-	-	26.8%

\* Figures before eliminating internal sales within the consolidated companies are indicated

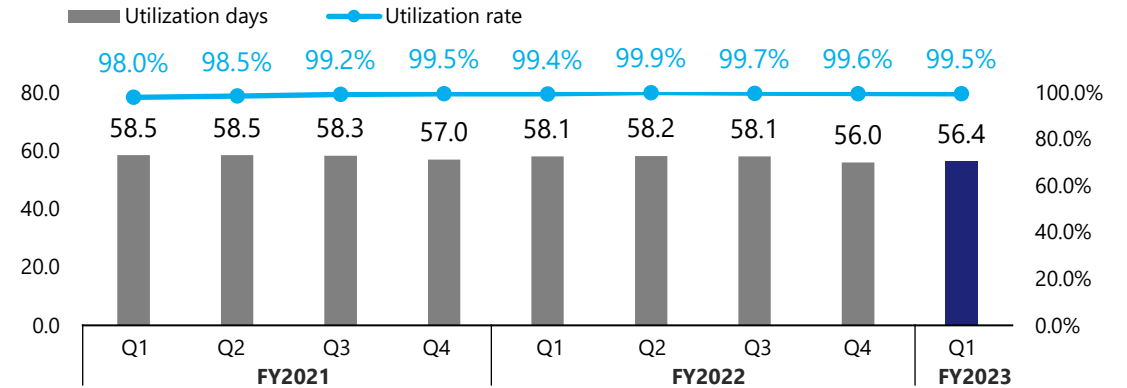
# [Human Resources Business] Trends in Major KPIs

- Creator staffing assignments, which serve as the foundation of the Company's recurring income model, steadily increased to end up at **768**, an increase of **138** from the year-earlier period
- The utilization rate has been kept at a high level since last year

## Creator staffing assignments

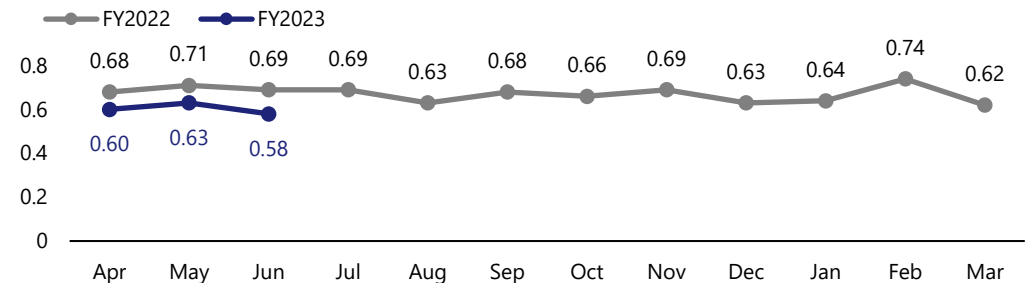


## Utilization days\*1 / Utilization rate\*2



\*1 The ratio obtained by dividing the actual utilization days, which are arrived at by subtracting the absent days and paid holidays from the total planned utilization dates, by the number of utilized persons  
 \*2 The ratio obtained by dividing the number of non-utilized persons at month end by the total staffing assignments at month end

## Trends in average daily overtime hours\*



\* Daily average obtained by dividing the average total monthly overtime hours by the average number of actual utilization days

## [Media Business] Financial Highlights of Q1 FY2023

- In the Media business, revenue remained at the same level as the year-earlier period, but the gross profit margin decreased due to an increase in costs from upfront investments
- This resulted in segment loss, although the impact on the entire results was limited as the Media business accounts for only a small portion of the entire revenue

### Q1 results

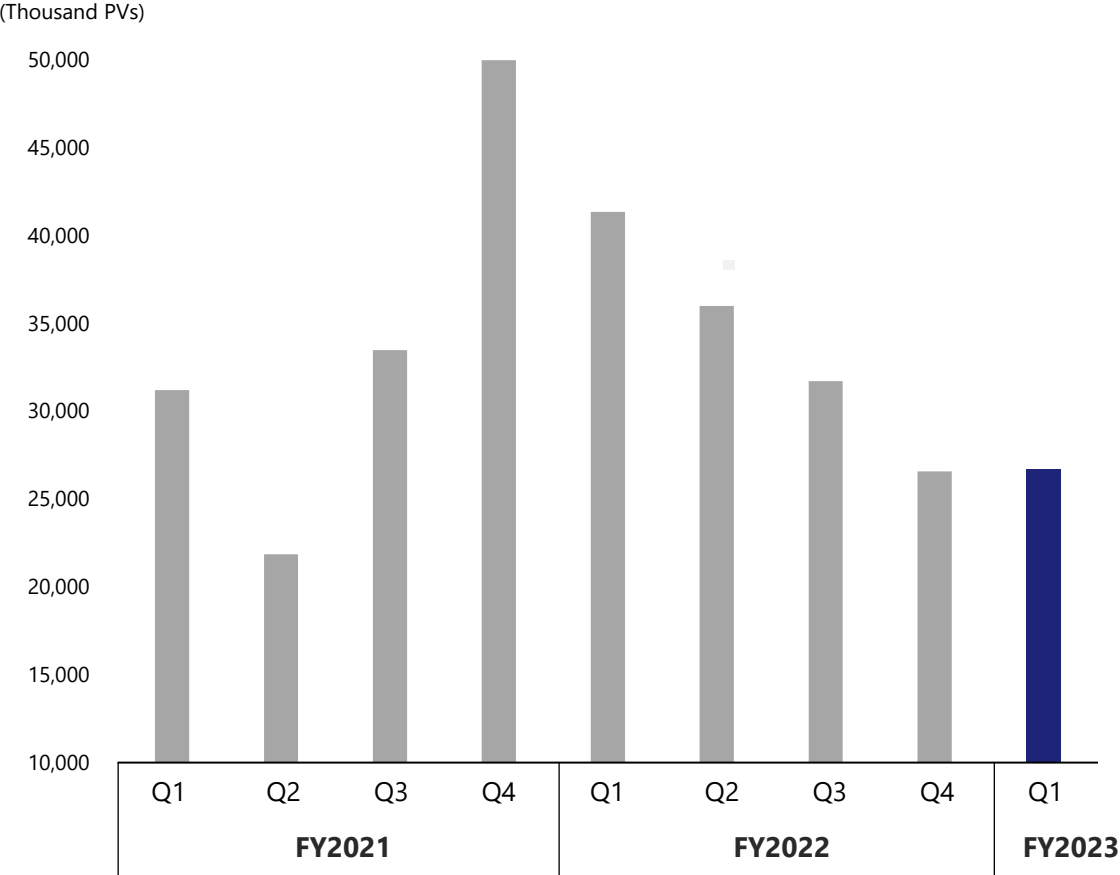
(Million yen)	FY2022 (Q1)	FY2023 (Q1)	YoY	Full year forecast (announced on May 12, 2022)	Progress rate	FY2022 (Full year)
Revenue *	17	<b>16</b>	-7.1%	130	12.5%	77
Gross profit	10	<b>4</b>	-52.5%	-	-	46
Gross profit margin	59.1%	<b>30.2%</b>	-28.9 pts	-	-	60.4%
Segment profit	3	<b>-2</b>	-	-	-	13
Segment profit margin	20.1%	<b>-16.5%</b>	-	-	-	17.5%

\* Figures before eliminating internal sales within the consolidated companies are indicated

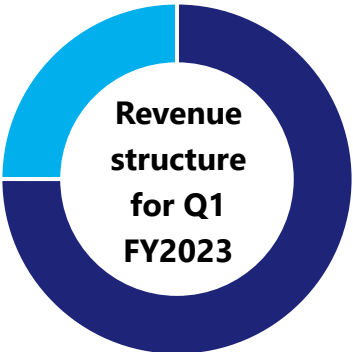
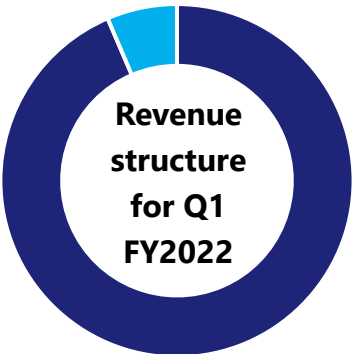
# [Media Business] Trends in Major KPIs and Targeted Revenue Structure

- Page views (PVs) has remained at the same level as the immediately preceding quarter
- Urgently needed to make the business profitable, along with the transformation of its revenue structure

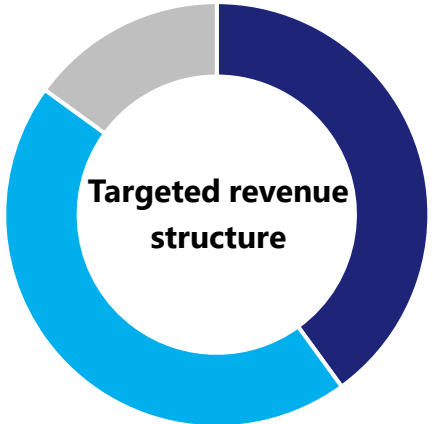
## Trends in PVs



## Improvements in current revenue structure / Target



Shift the primary source of revenue from advertising network to **outsourced promotional services**



For Q1, segment loss was recorded due to an increase in costs from upfront investments Urgently needed to make the business profitable, as well as transforming its revenue structure

- Revenue from Advertising network
- Outsourced promotional services
- Media production and others



# [Consolidated] Quarterly SG&A Expenses Trends

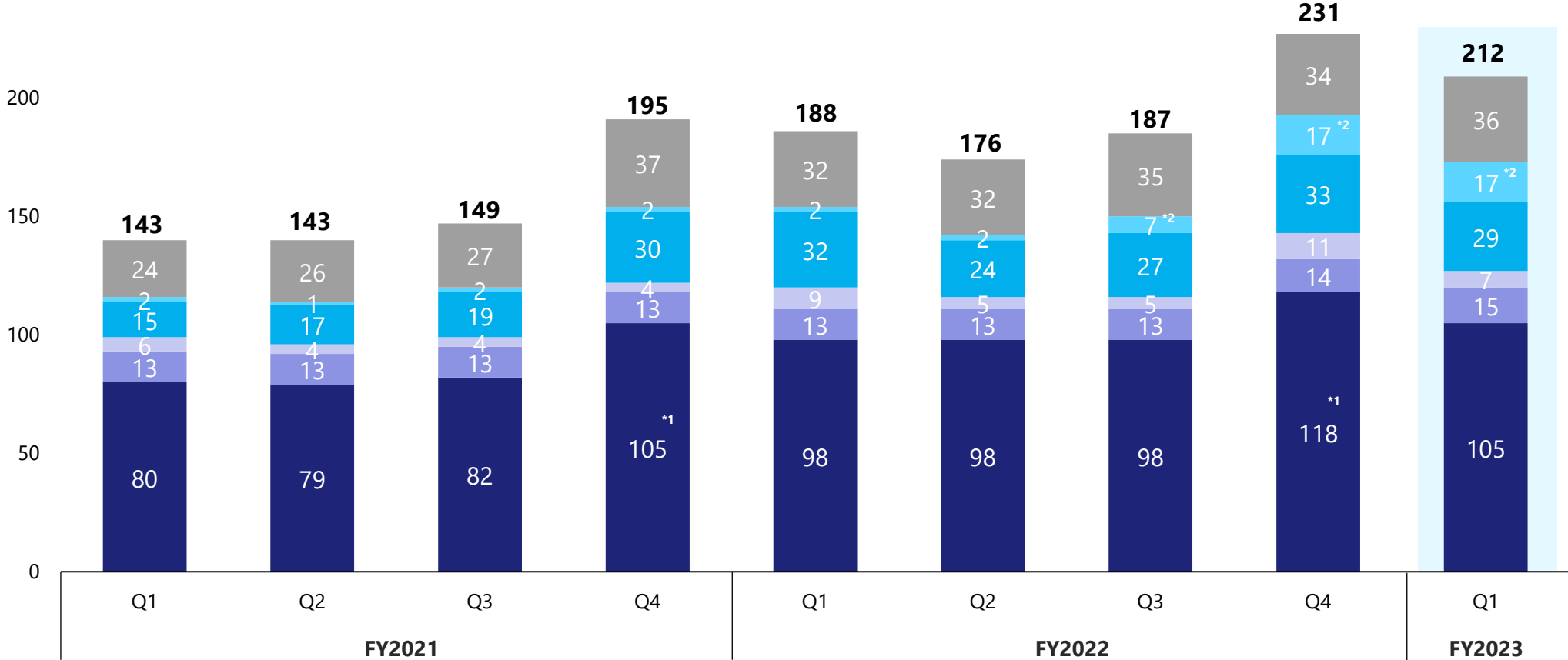
- Selling, general and administrative (SG&A) expenses increased **13.1%** year-on-year due to increases in personnel expenses, etc. from business expansion and depreciation associated with head office relocation
- The ratio of increase in SG&A expenses was lower than the growth rate of revenue on a consolidated basis (**+20.0%**), indicating that costs were controlled appropriately

## Quarterly trends

(Million yen)

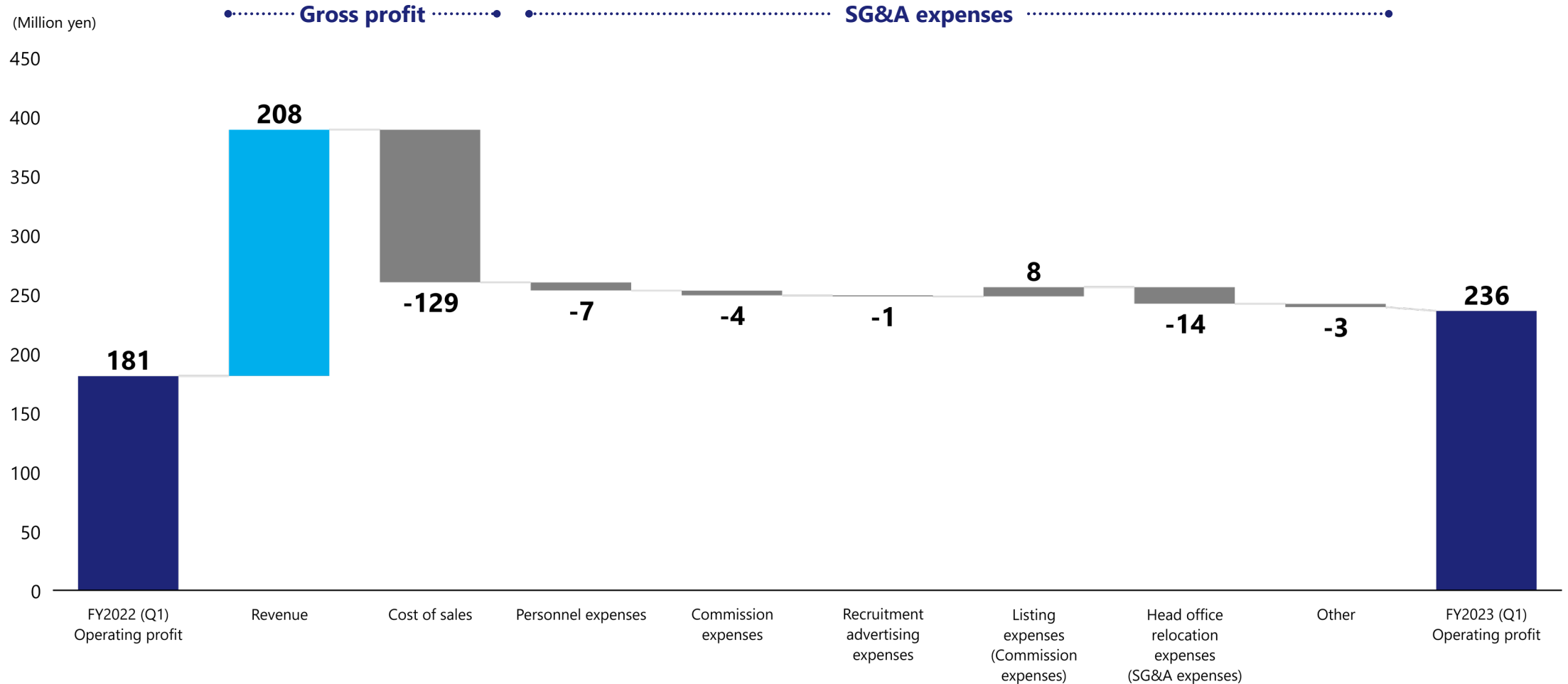
- Personnel expenses
- Commission expenses
- Rent expenses on land and buildings
- Depreciation
- Taxes and dues
- Other

\*1 Includes performance bonus (15 million yen for FY2021 / 16 million yen for FY2022)  
 \*2 Includes impact of head office relocation (19 million yen for FY2022 / 14 million yen for FY2023)



# [Consolidated] Factor Analysis of Increase/Decrease in Operating Income (YoY)

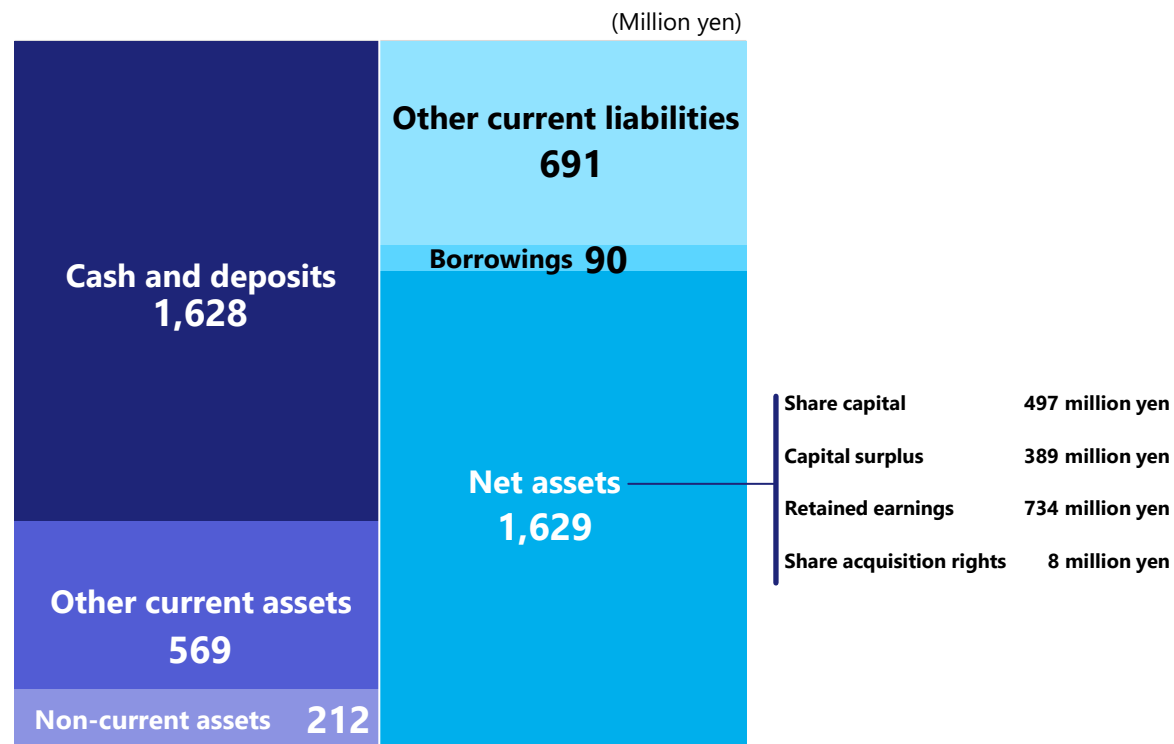
- Gross profit increased steadily along with business expansion, contributing to larger operating profit



# [Consolidated] Balance Sheets/Statements of Cash Flows

- There is no concern about financial stability (net cash: **1.53 billion yen** / equity ratio: **67.2%**)
- In terms of cash flows, the balance of cash and deposits decreased **96 million yen** from the end of the previous fiscal year due to payment of dividends, etc.

## Balance sheets at end of Q1 FY2023



## Cash flows for Q1 FY2023

(Million yen)

<b>Balance of cash and deposits as of March 31, 2022</b>	<b>1,724</b>
Cash flows from operating activities	<b>+162</b>
Cash flows from investing activities	<b>-54</b>
Cash flows from financing activities	<b>-203</b>
<b>Increase/decrease in cash and deposits</b>	<b>-96</b>
Balance of cash and deposits as of June 30, 2022	<b>1,628</b>

\* Subtotal of cash flows from operating activities: +275 million yen, income taxes: -105 million yen, other, net: -7 million yen

\*\* Dividends paid: -181 million yen, repayments of borrowings: -22 million yen, other, net: +0 million yen

### Financial indicators

Net cash	<b>1.53 billion yen</b>
Equity ratio	<b>67.2%</b>

# Appendix 1

## **Business Model, Source of Competitiveness and Market Environment**

# Our Competitive Advantages and Strengths

## Business strategy

Maximize the total amount of matching by maximizing the number of job seekers and job openings

### Our strengths



#### Hiring capabilities

- Attract creators through proactive entry into popular industries
  - ➔ Number of applicants: **approx. 10,000/year**



#### Sales capabilities

- Ability to cultivate new companies without depending on specific clients
  - ➔ Number of corporate clients (total): **over 200 companies**



#### Matching capabilities

- Maintain a high level of utilization rate through highly precise matching
  - ➔ Average utilization rate: **99.7%**

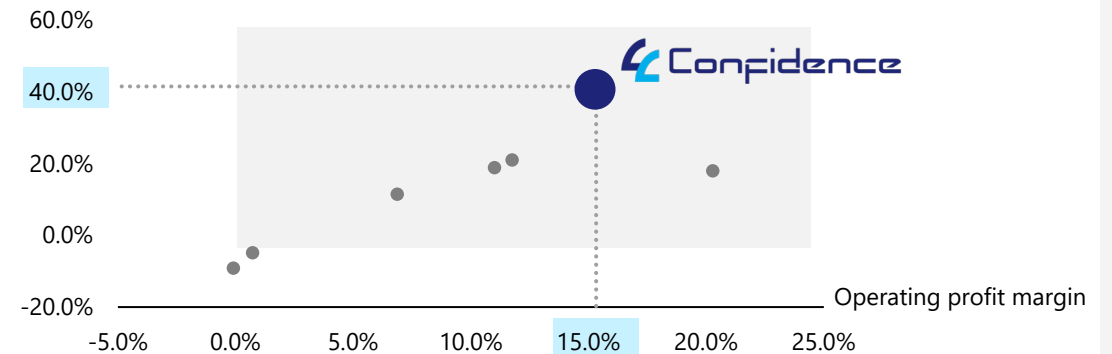
\* Compiled based on the actual data through FY2022

## Efficient organizational operations

Conduct organizational design based on division of labor and standardization, and simplify operations as much as possible

### Comparison with competitors: growth rate x profit margin

5-year CAGR of Revenue



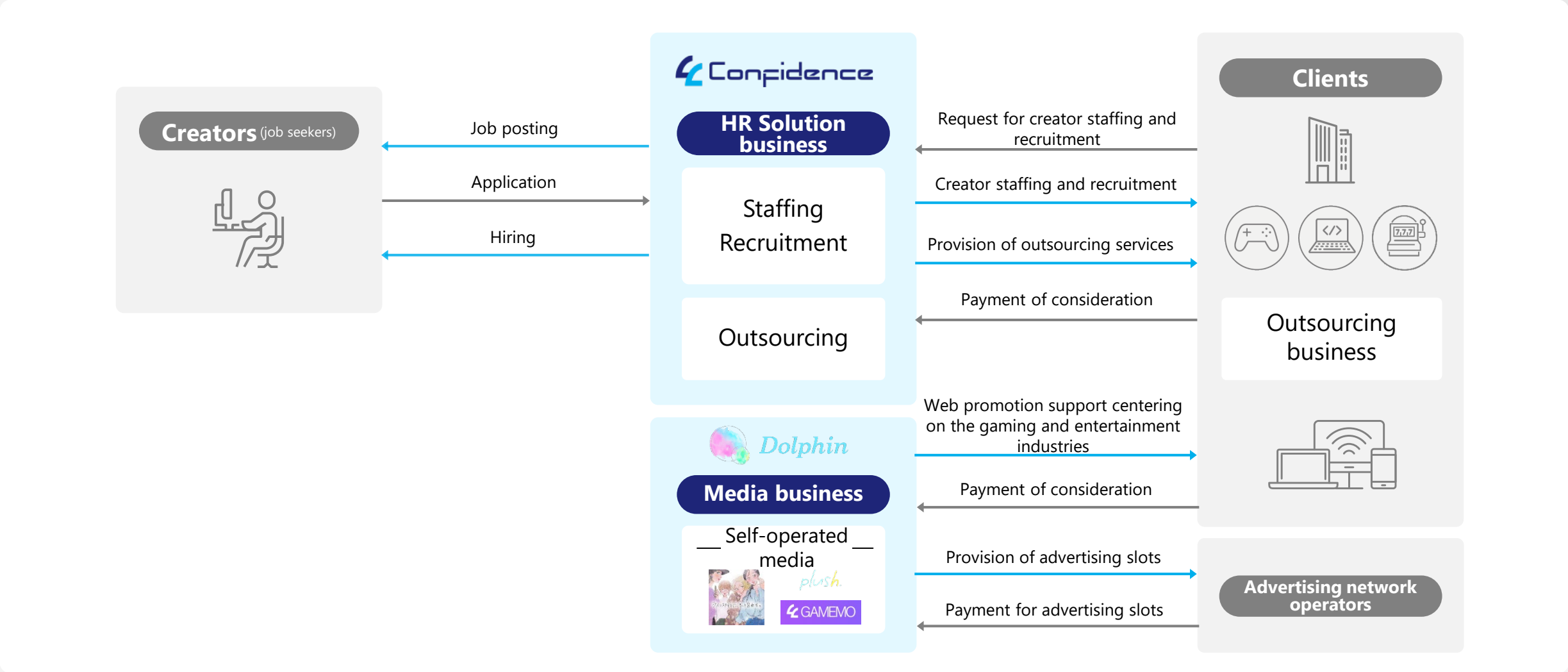
\* Prepared by Confidence based on information publicized by other companies that conduct the same business as ours

\* 5-year CAGR of Revenue is calculated based on each company's forecast of its ongoing fiscal year for the fifth year (FY2022 actual figure is used for Confidence)

**Since its establishment in August 2014, the Company has achieved high business growth rates and profitability despite being a latecomer to the industry**

# Business Diagram

- Recruit and hire creators to deliver staffing, recruitment and outsourcing services for the gaming industry
- Provide media operation assistance services on top of earning advertising income through the operation of our own media



# Our Major Revenue Structure and KPIs: HR Solution Business (1/2)

- The revenue structure and KPIs of the HR Solution business - staffing business, which accounts for the majority of our sales, are as follows
- With a particular focus on creator staffing assignments among the breakdown items, aim to achieve gross profit margin of 30% and operating profit margin of over 15% for the entire Group

□ : Business KPIs

■ : Indicators we attach particular importance to

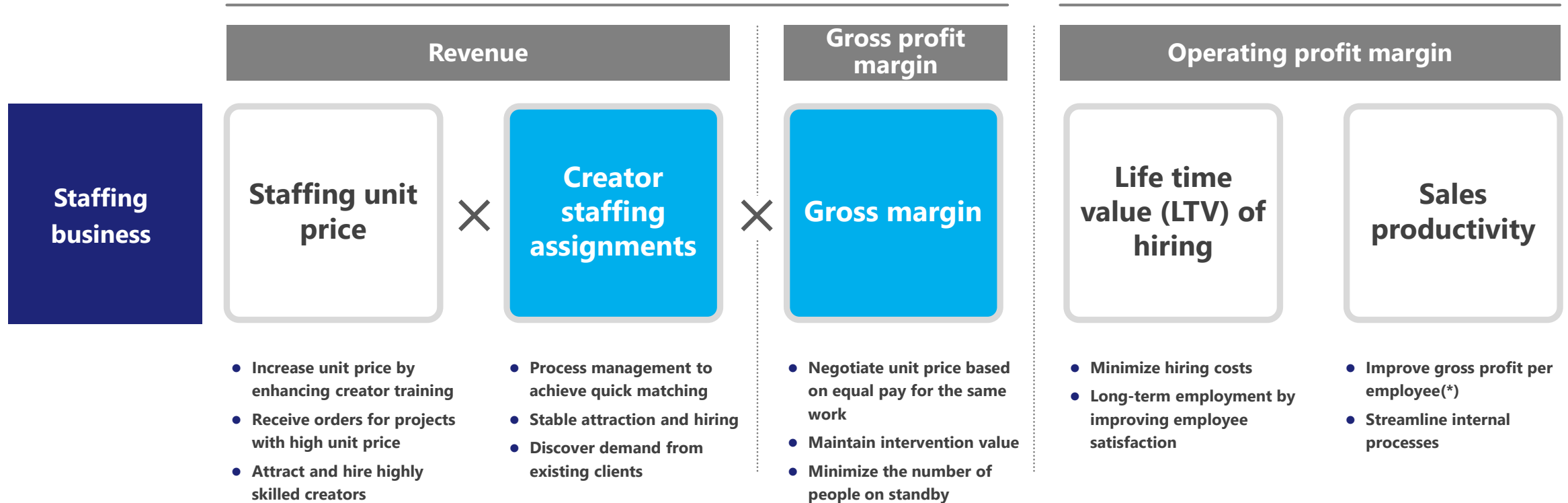
Confidence

HR Solution business

Media business

## Gross profit

## Operating profit



\* Measures to improve gross profit per employee are the same as measures to improve sales and gross profit margin

# Our Major Revenue Structure and KPIs: HR Solution Business (2/2)

- The revenue structure and KPIs for the HR Solution business - outsourcing business and recruitment business, which are related to the staffing business, our core business, are as follows

□ : Business KPIs

■ : Indicators we attach particular importance to

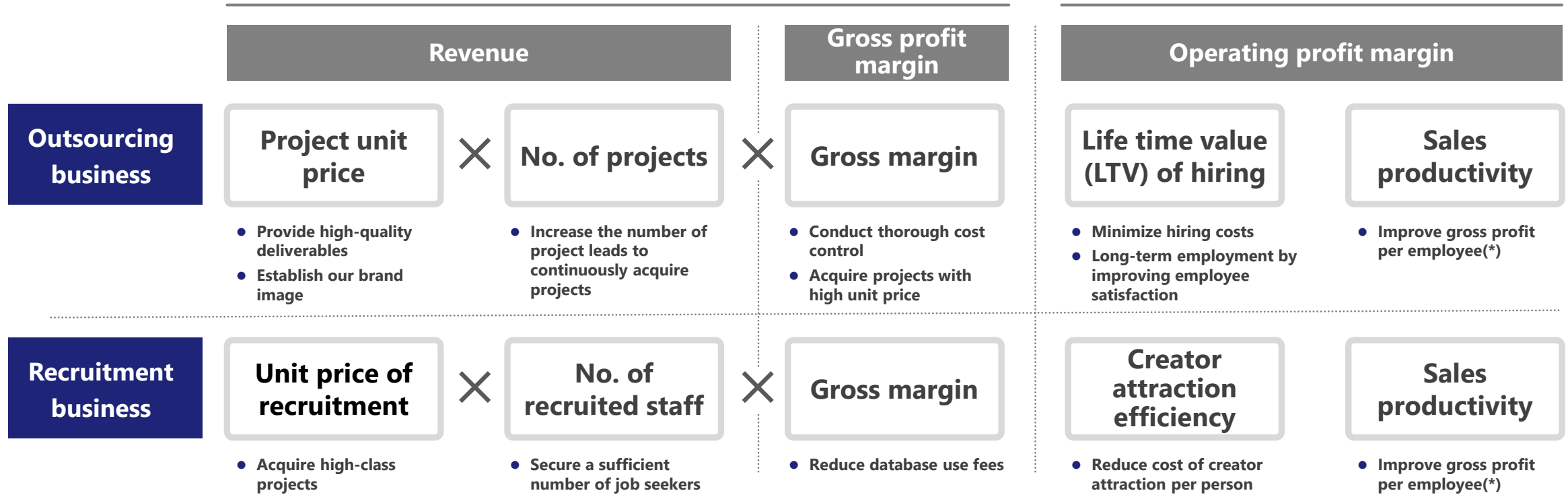


HR Solution business

Media business

## Gross profit

## Operating profit



\* Measures to improve gross profit per employee are the same as measures to improve sales and gross profit margin



# Our Major Revenue Structure and KPIs: Media Business

- The revenue structure and KPIs of the Media business are as follows
- Aim to shift from the existing media site operations business to the revenue structure centering on web promotion business

□ : Business KPIs

■ : Indicators we attach particular importance to

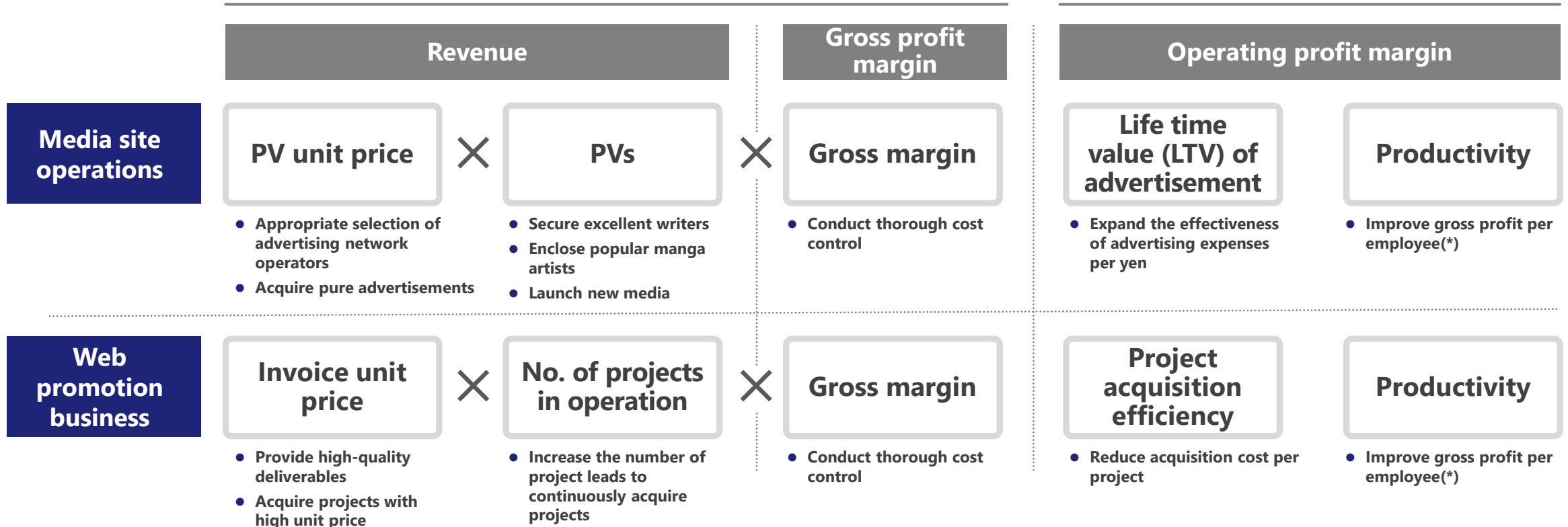


HR Solution business

Media business

## Gross profit

## Operating profit

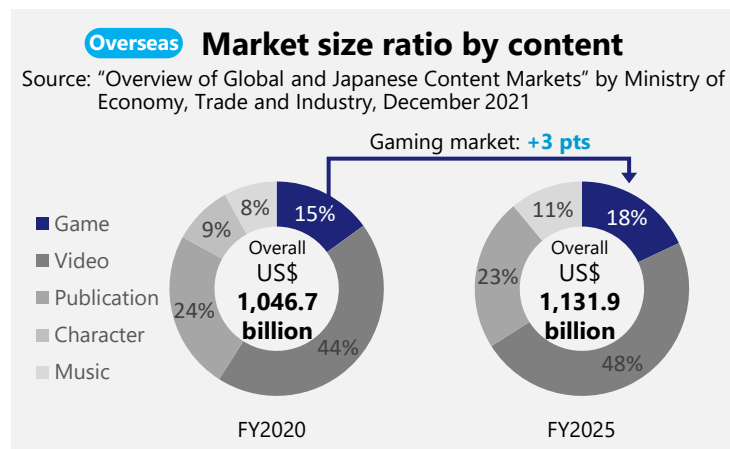
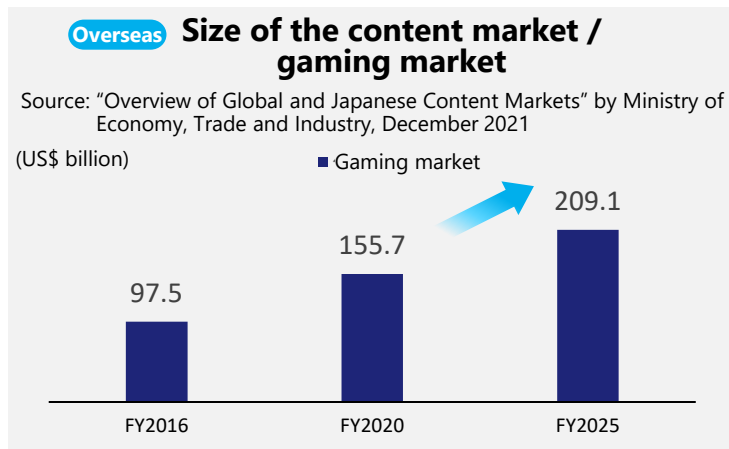
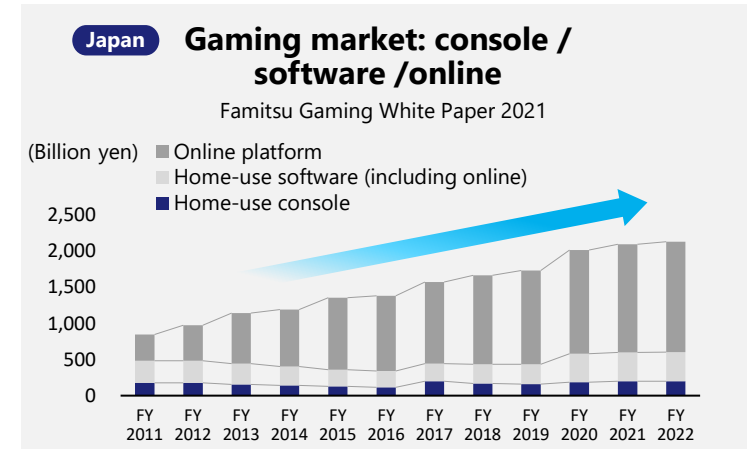
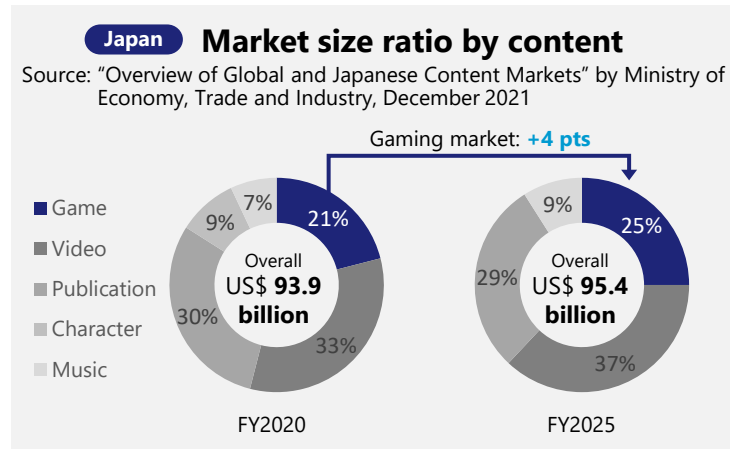
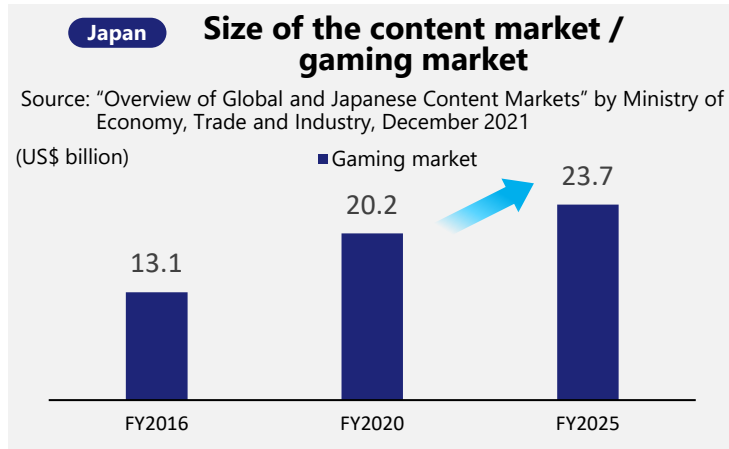


\* Measures to improve gross profit per employee are the same as measures to improve sales and gross profit margin

# [Existing Areas] Trends in the Content / Gaming Markets

- Of the content market, **the gaming market** is projected to remain on **an expansion trend both in Japan and overseas**
- Consequently, demand for human resources from gaming companies is assumed to keep growing

## Trends in the gaming market



**While the growth of the content market as a whole is moderate in both the global and domestic markets, the presence of the gaming market is increasing markedly year by year**

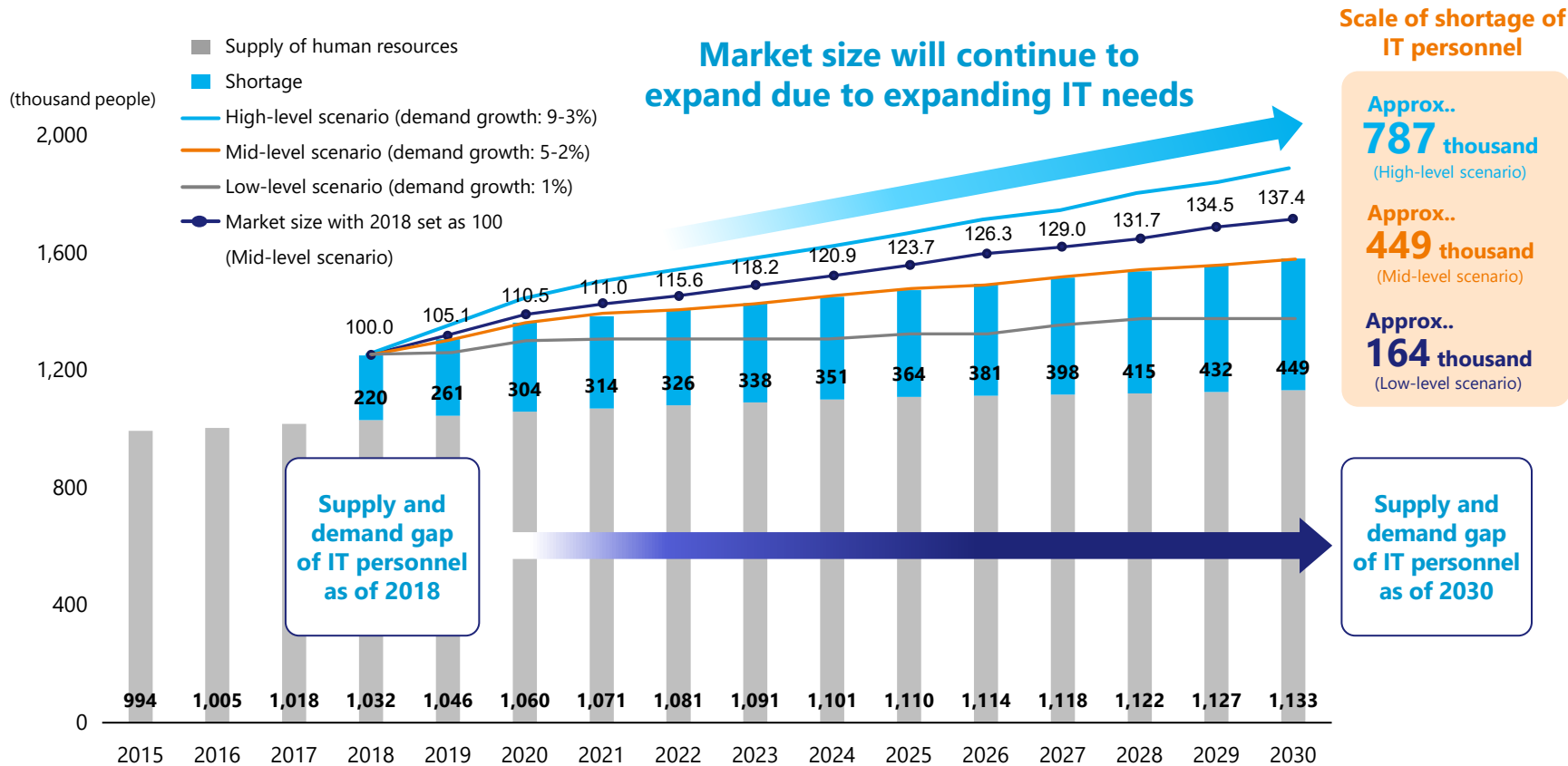


**Demand for human resources from gaming companies is assumed to remain on a growing trend**

# [Existing Areas] Supply and Demand Situation for IT Personnel

- According to a survey conducted by the Ministry of Economy, Trade and Industry, **the shortage of IT personnel tends to expand year by year in response to the expansion of IT needs**
- **A similar trend is assumed to continue in the gaming industry** → Recruitment will become increasingly difficult for continuous growth

## Estimation on the supply and demand of IT personnel

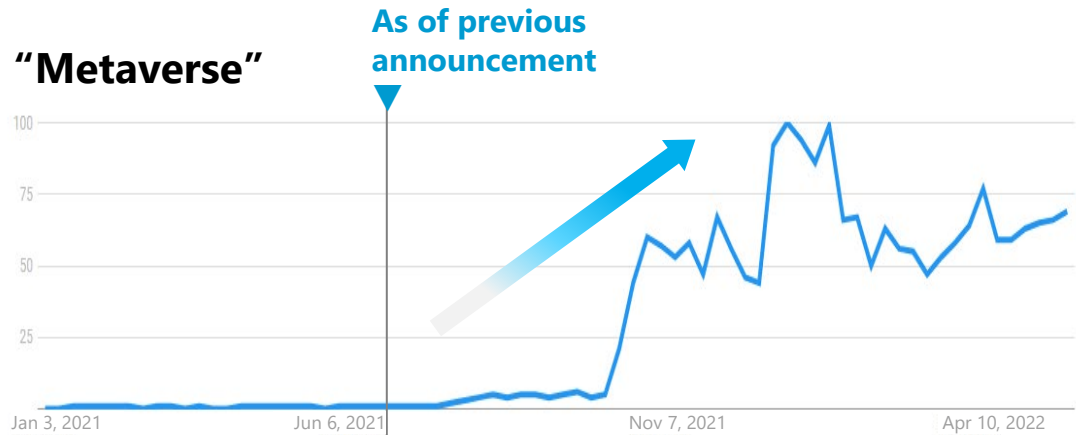


- Market size expands due to growing IT needs
- Shortage of IT personnel becomes more serious
- Similar trends are assumed to occur in the gaming and entertainment industries
- Hiring of human resources will become even more difficult

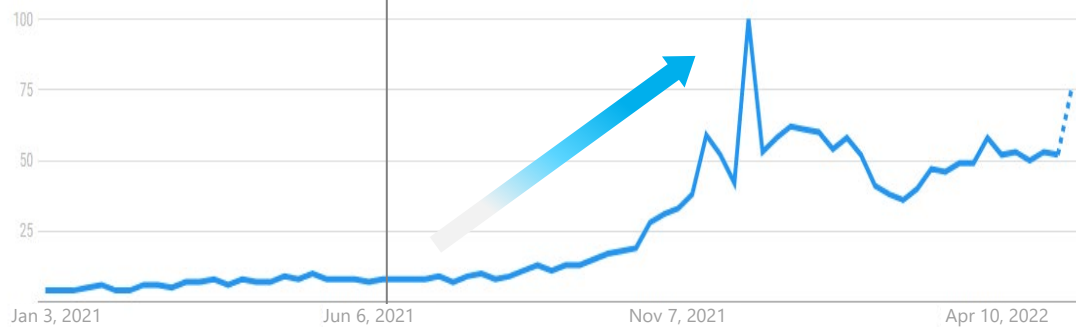
Source: excerpt from "Report on the Supply and Demand Survey for IT personnel" (project commissioned by the Ministry of Economy, Trade and Industry) by Mizuho Information & Research Institute, Inc., March 2019

# [New Areas] Changes in Recent industry Trends

## Changes in the industry trends from the previous announcement to the latest



**"Metaverse" and "Web3" have become a global trend**



Source: Google Trends ▶ Search object: all countries / Jan 1, 2021 - May 31, 2022

## Status of companies in the gaming industry and other industries (examples)

### Overseas

#### **Facebook**

- Changed the company name to Meta / announced "Horizon Home," an initial metaverse concept

#### **NVIDIA**

- Announced "Omniverse," a metaverse production platform

#### **Microsoft**

- Announced "Microsoft Mesh," a mixed reality platform / Acquired Activision Blizzard (a gaming company)\*

\*The largest acquisition ever made by the company (as of June 2022) at total acquisition price of approx. \$68.7 billion

### Japan

#### **Sony**

- Reinforced endeavors to create new live entertainment experiences in the "metaverse" domain that is expected to grow

#### **Bandai Namco**

- Constructed "IP Metaverse" as its axis strategy on IP / established a fund to invest in startups in and outside Japan, such as those related to VR/AR/XR, Web3 and metaverse

#### **CyberAgent**

- Established a blockchain-based gaming subsidiary to enter into GameFi business

#### **KDDI**

- Opened virtual "Virtual Shibuya" as its "Shibuya 5G Entertainment Project"

Source: Prepared by Confidence based on the websites and press releases of respective companies

# [New Areas] Gaming Industry and Future Target Markets

## Changes in content creation, distribution and usage brought about by digitization

### Transformation of industrial structure

- The market becomes borderless and globalized
- Distribution routes become double-tracked and diversified
- Personal products are directly delivered

### Personal creative activities

- Contents created by ordinary people expand due to popularization of production/editing solutions

### New trends in the virtual space

- Commercial transactions on the metaverse space
- Possibility of a new life as a reality different from the real world

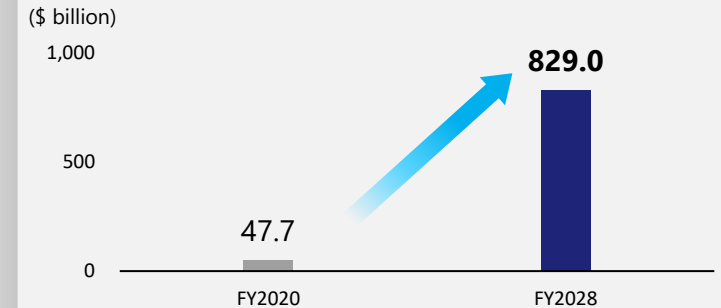
- Since the 3DCG space and community in games are close to the concept of the metaverse, proactive investments are made in gaming business as a foothold for metaverse-related businesses

- Possibility of forming a new labor market → Areas having high affinity with our focus areas

Source: Prepared by Confidence using excerpts from "Content Strategy in the Digital Age" by Intellectual Property Strategy Promotion Bureau, Cabinet Office, released in January 2022

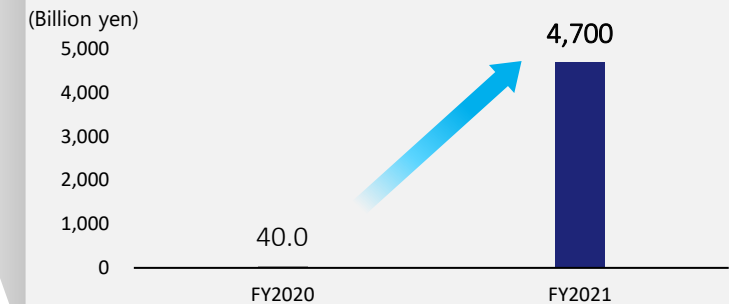
### Overseas Metaverse market

"GLOBAL METaverse MARKET 2018-2028" by Emergen Research, released in November 2021



### Overseas NFT (Non-Fungible Token) market

"NFT White Paper (draft)" by the NFT Production Review Project Team of Liberal Democratic Party, released in March 2022



# Appendix 2

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## Growth Strategy/M&A Strategy

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# Image of Future Growth

- Securely grow the “game x human resources” area, our existing domain, while entering the peripheral areas and outsourcing service area
- Also, look to expansion into new markets in new areas (such as Web 3.0 and metaverse) in response to changes in the external environment

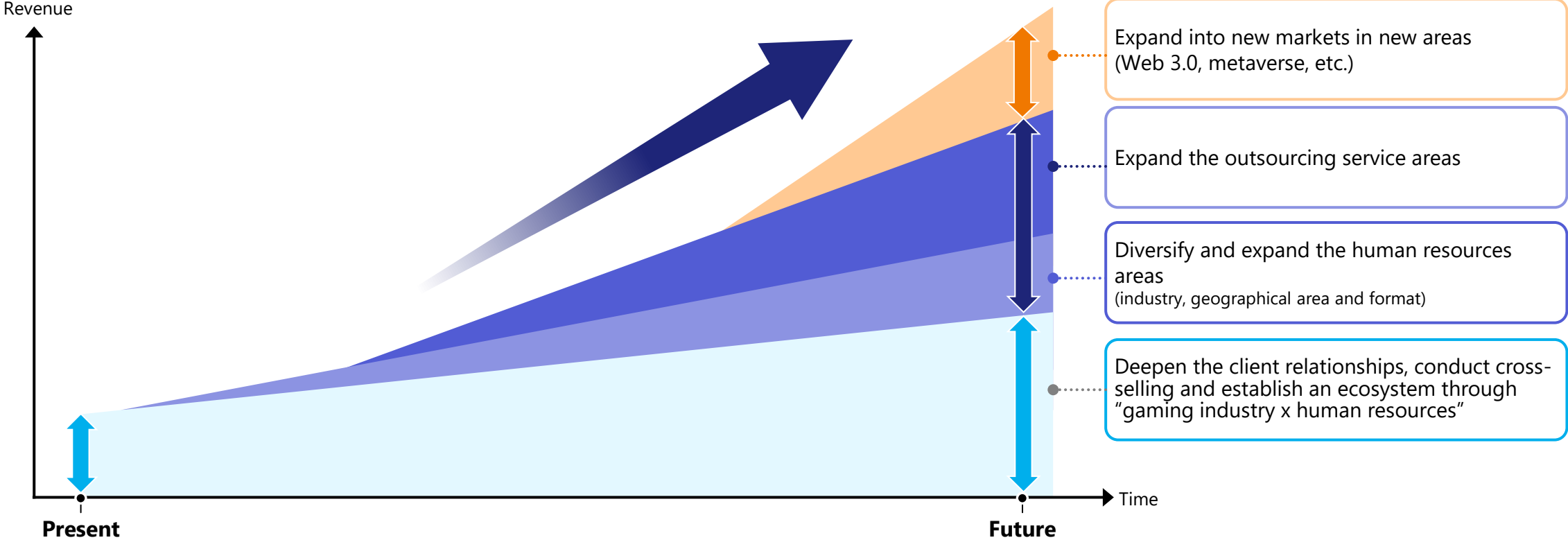
**Deepen and expand existing business**



**Advance into new areas**

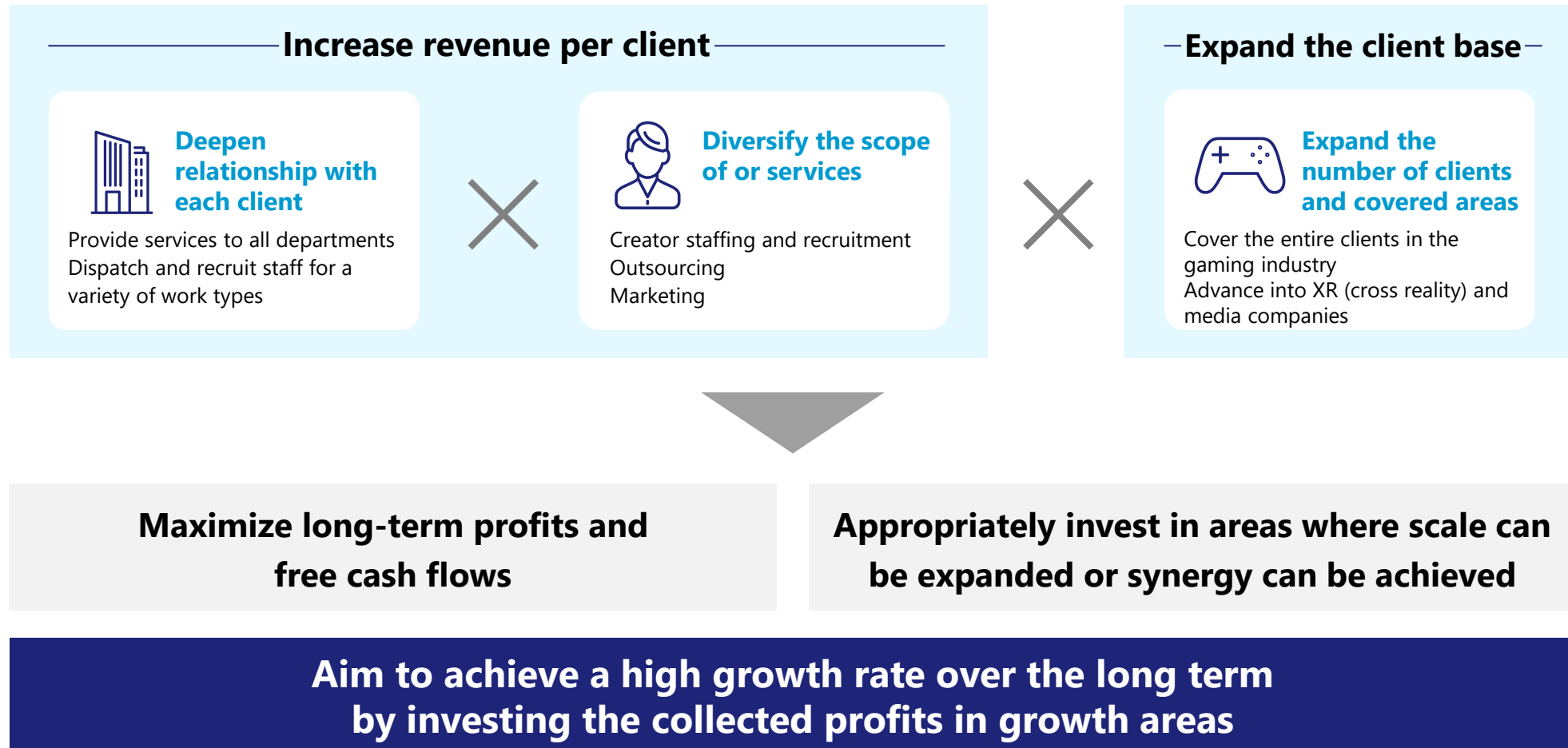
Focus on staffing in the gaming area, our main business

Expand the Web promotion area, positioned as a focus business, and enter new areas



# Basic Strategy and Investment Concept for the Image of Future Growth

- As the basic strategy and investment concept for our future growth, maximize revenue per client and the client base, and proactively invest the collected profit in new areas with high growth potential





# Growth Strategy (Overall)

- Medium-term: Expand business by deepening client relationships and establishing a virtuous cycle (ecosystem) of business collaborations
- Long-term: Expand target markets and develop into new markets in new areas (such as Web 3.0 and metaverse) with matching solutions

## Medium-term growth strategy

Deepen client relationships and establish an ecosystem



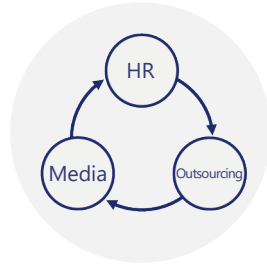
**Acquire an overwhelming market share in staffing business by deepening client relationships**

Maximize the number of people dispatched per client



**Maximize transaction opportunities by strengthening cross-selling**

Increase revenue per client by diversifying the scope of our services



**Enhance business management efficiency by establishing an ecosystem**

Establish a service circulation through collaboration between the HR Solution business and the Media business

## Long-term growth strategy

Accumulate knowledge through expanding target markets and outsourcing service business, and develop into new markets in new areas (such as Web 3.0 and metaverse)



**Expand business of HR Solution services**

Diversify client industries, regional areas and contract types



**Expand the scale and accumulate knowledge by expanding the outsourcing service business**

Expand the scope of services to accumulate knowledge and pool diverse human resources



**Expand matching solutions**

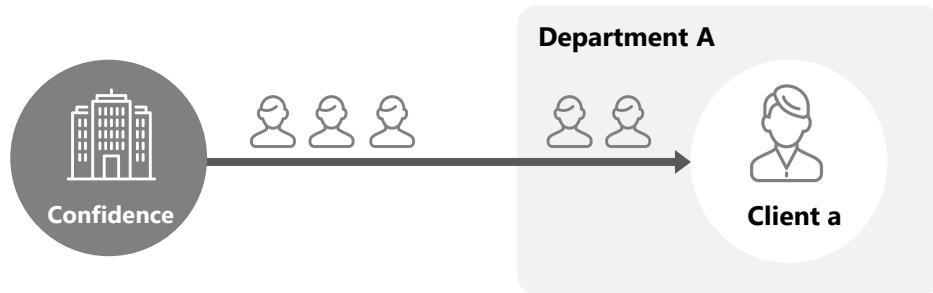
Expand into new markets in new areas (Web 3.0, metaverse, etc.)

# [Medium-Term Growth Strategy (1)]: Expand Staffing Business by Deepening Client Relationships

- Aim to gain the overwhelmingly No.1 position as staffing business operator in the gaming industry by further deepening client relationships

## Before deepening client relationships

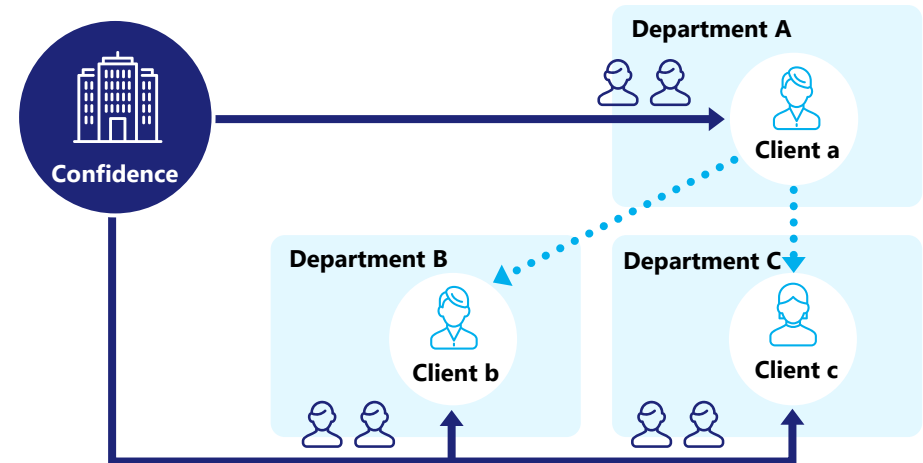
Once the human resource needs at certain departments are met, human resources become saturated to limit employment opportunities for creators.



## After deepening client relationships

- Understand future needs by interviewing clients about their development schedules
- Cultivate new human resource needs through referrals to other departments
- ▶ **Acquire new employment opportunities for creators**

## Maximize the number of people dispatched per client



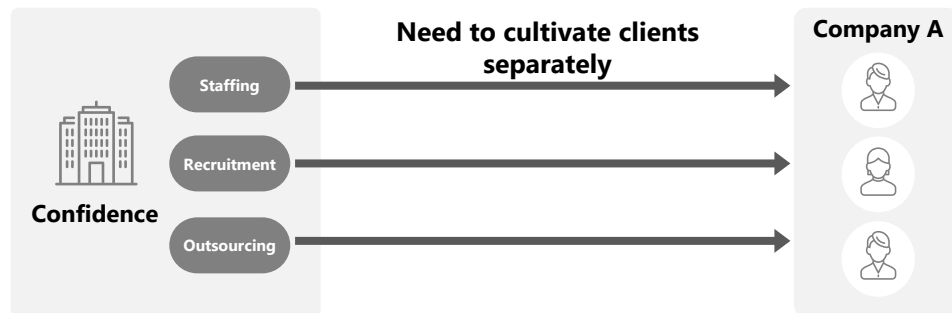
# [Medium-Term Growth Strategy (2)]: Conduct Cross-Selling to Existing Clients

- Expand revenue through cross-selling of recruitment and outsourcing services by leveraging the network built in staffing business

## Before cross-selling

Recruitment department and outsourcing service department separately work to expand into clients' other departments

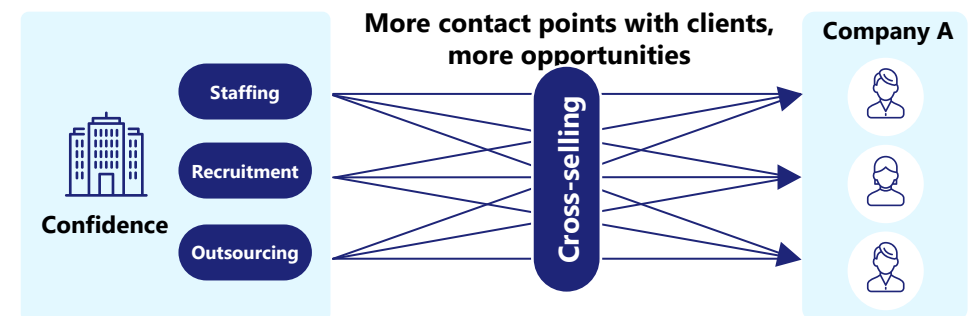
- ▶ Fail to identify clients' needs, causing potential loss of opportunity to occur



## After cross-selling

- Recruitment: Can obtain attractive job offers by increasing contact points
- Outsourcing: Can understand needs accurately and provide services at an appropriate timing by in a timely manner by discerning clients' development schedules
- ▶ **More contact points will allow us to provide services more efficiently**

**Revenue per client increases by diversifying our services provided to clients**



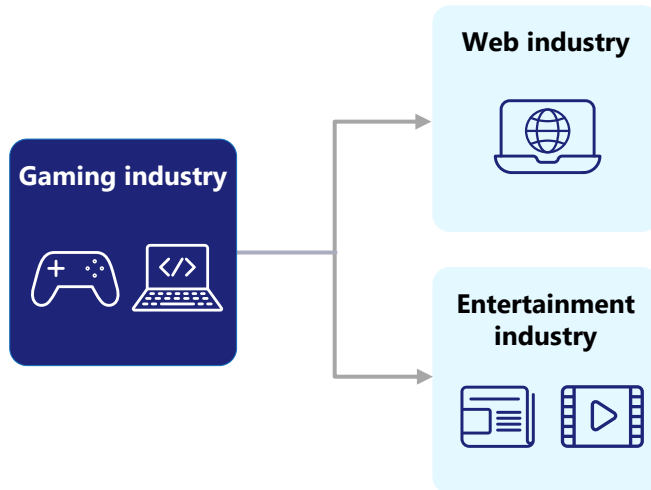


# [Long-Term Growth Strategy (1)]: Diversify and Expand HR Solution Areas (Industry, Geographical Area and Work Type)

- Work to diversify and broaden the client industries, geographical areas and formats (freelancers), and advance into web and entertainment areas instead of specializing in gaming industry

## Diversification of industries

- Expand the HR Solution business in the entertainment and web industries, which are peripheral area of the gaming industry
- Accumulate knowledge about the entertainment and web industries



## Expansion of regional areas

- Establish operation bases in Fukuoka and Osaka
- Enhance name recognition and expand business scale by expanding regional areas

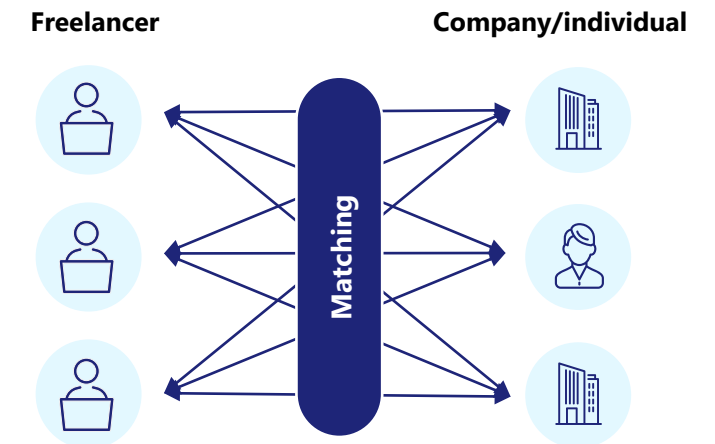
Plan to expand into Fukuoka and Osaka

Look to expand overseas in the future



## Diversification of contract types (freelancers)

- Enter the freelance area, which uses a different contract format from that of staffing and recruitment
- Form teams of highly skilled talents and provide a wide range of services by building a network with freelancers

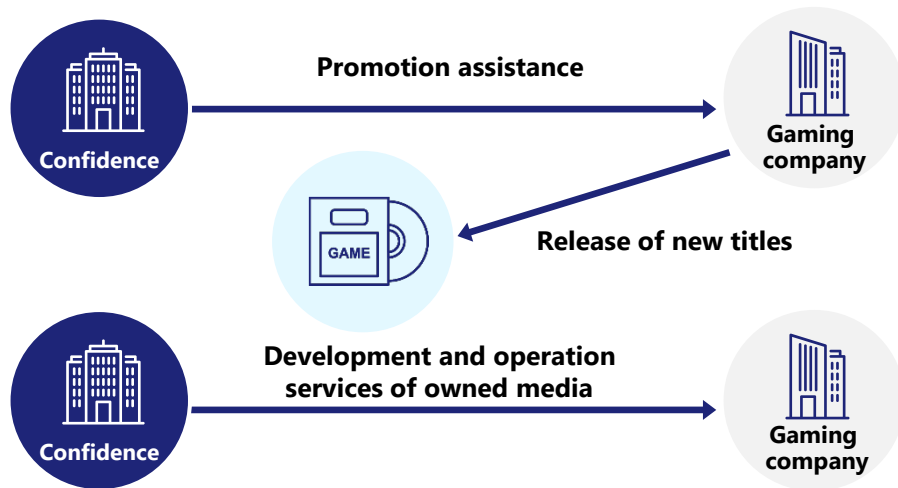


# [Long-Term Growth Strategy (2)]: Expand Outsourcing Service Area

- Expand media-related outsourcing services and, by further enlarging and diversifying the human resource pool, provide a variety of HR Solution services

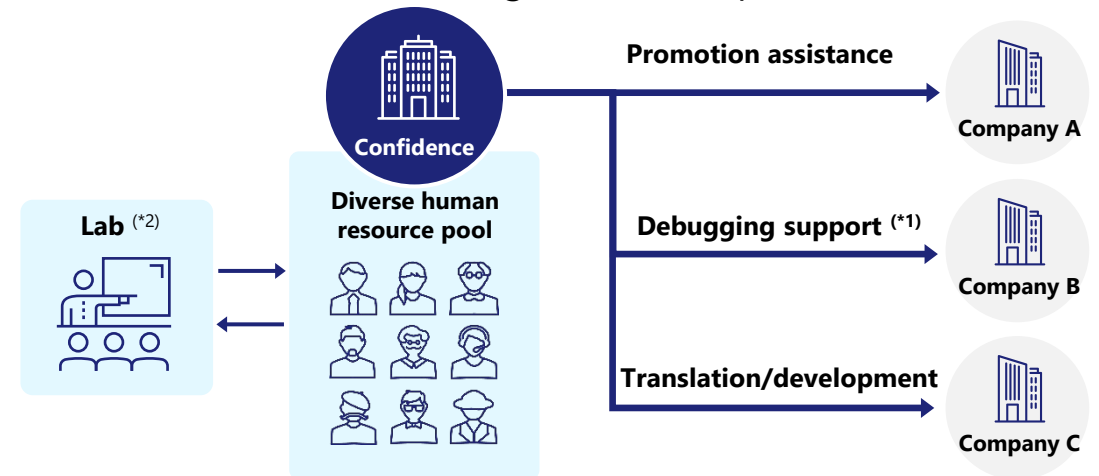
## Media-related outsourcing services

- Conduct promotional assistance to gaming companies upon release of new titles (attracting customers through social media and by influencers)
- Develop owned media for gaming companies or game titles and conduct operation services



## Expand the scale and further diversify the human resource pool

- Secure a pool of diverse human resources by handling a variety of outsourcing services, such as promotional assistance, debugging, translation and development
- Establish a lab to allow employees to mutually acquire new skills by securing a diverse pool of human resources
- Provide new services using the skills acquired at the lab



(\*1) Debugging refers to the task of finding and revising computer program bugs and defects and making changes to ensure operation in accordance with specifications

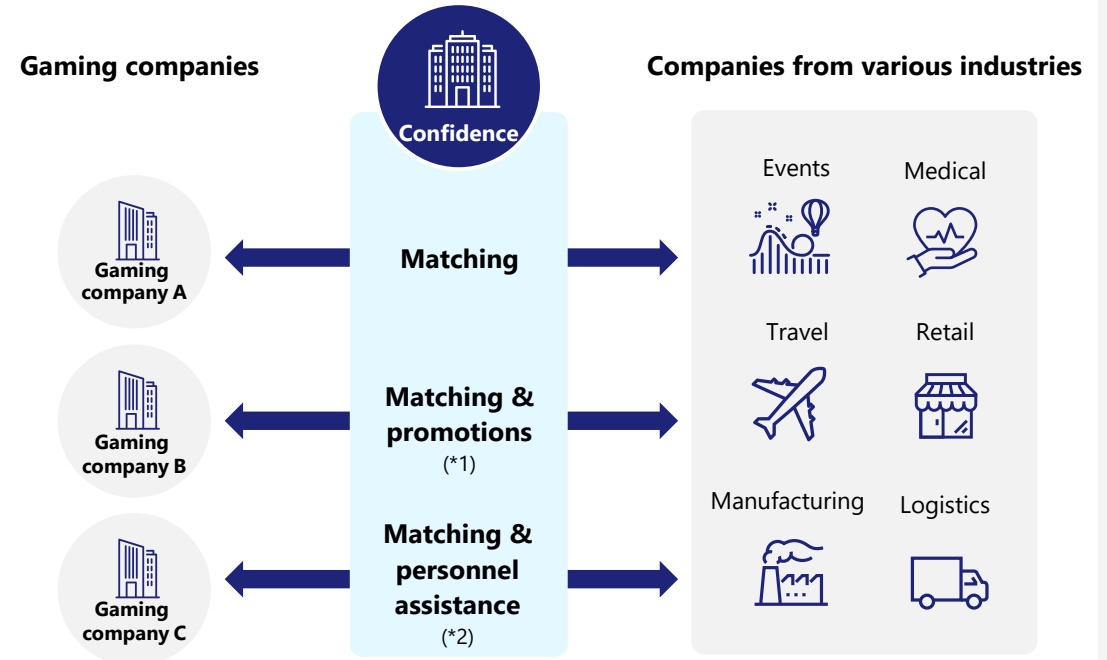
(\*2) Abbreviation for laboratory

# [Long-Term Growth Strategy (3)]: Expansion into New Areas (Web 3.0 and Metaverse, Etc.)

- Match the technology of the gaming industry with companies in various industries by utilizing our network with gaming companies and, after matching, provide support to the companies by our talents utilizing the know-how accumulated in our staffing and outsourcing businesses
- Consequently, conduct business activities with an aim to enter new markets in new areas (such as Web 3.0 and metaverse) for a variety of companies

## Matching the technology of gaming companies and various industries

- Conduct business matching through Confidence as the contact point in order to allow companies of various industries to utilize the technologies held by gaming companies
- Provide promotion and personnel assistance along with matching
- Network with divisions and departments at gaming companies

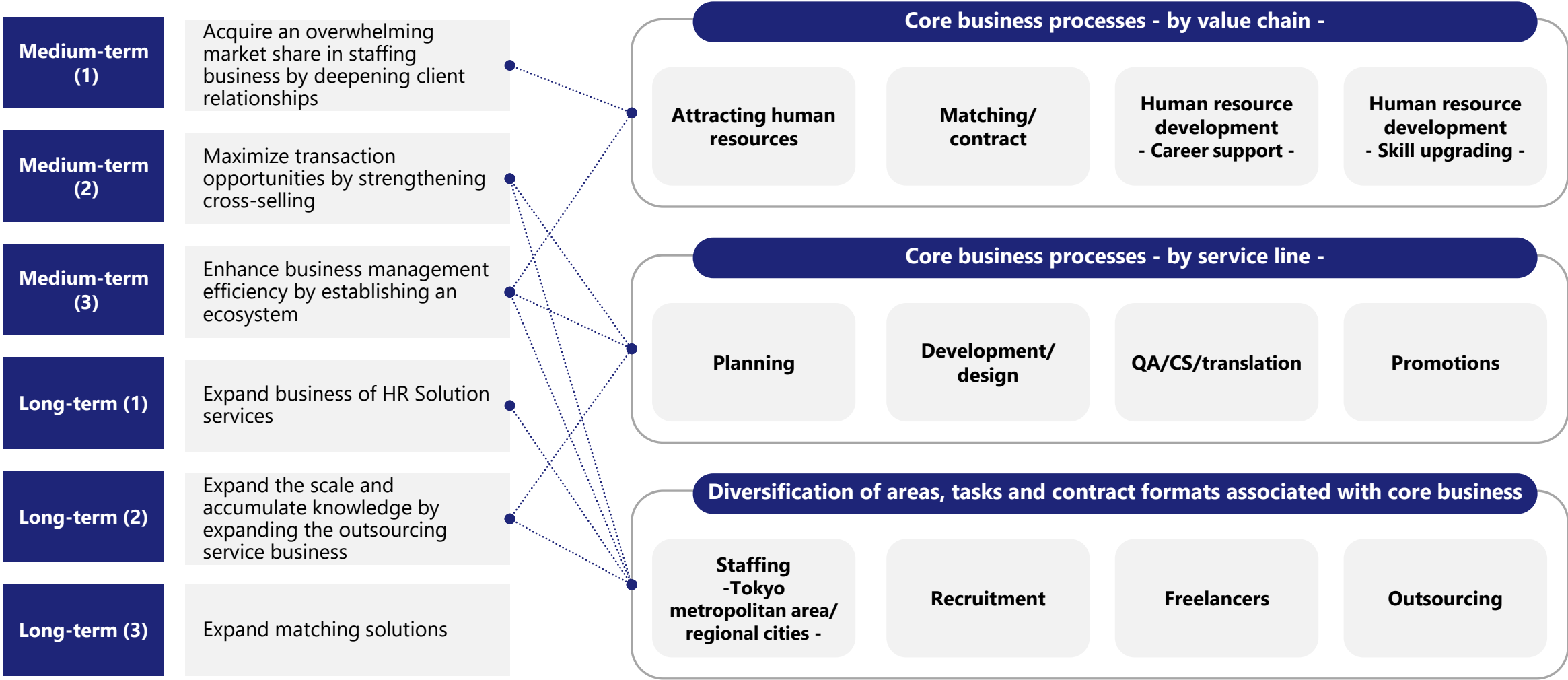


## New areas (Web 3.0 / metaverse)

- (\*1) It is assumed that Confidence will serve as the contact point with gaming companies for companies of various industries interested in gaming-related technologies, and complete matching by selecting and advising what services can be provided
- (\*2) Look to enter into new markets in new areas (such as Web 3.0 and metaverse) by offering services for companies in various industries to conduct promotion with entertainment aspects through gaming-related technologies, among other measures

# [M&A Strategy]: Approach to Business Development Based on Growth Strategy

**Approach to business development: break down the focus areas around the core business (staffing), and newly establish, deepen and expand each part on our own or through external forces (M&A)**





# [M&A Strategy]: M&A Policy / Financial Discipline / Governance

- Proactively utilize M&A for the portions indispensable for future growth while considering the timeline
- Set up disciplines for executing the M&A

## Targeted M&A candidates

- Focus on consistency with the target businesses and areas set out in the medium- to long-term growth strategy (Refer to the previous page)

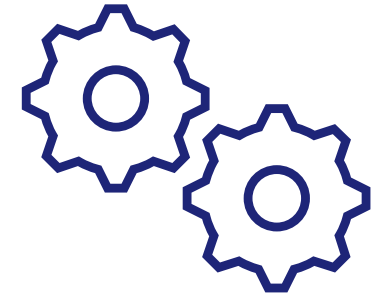
## Financial discipline for executing M&As

- The operating profit margin we target must be kept in mind and, as a rule, we should be able to create more value than the goodwill after M&A so that the deal is expected to contribute to profit
- The acquisition price should not be overvalued (investigate with EBITDA multiple in mind)

## Post-M&A governance

- In principle, dispatch our personnel as officers
- Integrate back offices in pursuit of economies of scale
- Conduct regular monitoring after investment (at the same level as the businesses operated by the Company)

**Organic growth of existing businesses**



**Accelerate further growth through M&A**

# Appendix 3

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## Risk Information

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# Major Risks Related Business Environment

- Of the risks described in the annual securities report (filed on June 30, 2022), the major risks are as follows

Business risk	Risk overview	Probability of occurrence	Degree of impact	Our policy to address the risk
<b>HR</b> <b>Securing human resources</b>	Shortage of human resources due to increased demand may not allow to meet the needs of our client companies	<b>Medium</b>	<b>Medium</b>	We have taken measures to enhance our welfare programs, training systems and employee exchange systems, etc. in order to secure stable, ready-to-work human resources
<b>HR</b> <b>Entry of competitors</b>	Entry of competitors enticed by market expansion may reduce staffing fees	<b>Medium</b>	<b>Medium</b>	We have superiority over actual and potential competitors thanks to our strong networks with major companies in the industry, accumulation of excellent know-how in hiring human resources, and strong collaboration between the hiring department and sales department
<b>HR</b> <b>Dependence on a specific industry (gaming industry)</b>	The market may shrink in accordance with cooling of the gaming market	<b>Low</b>	<b>Medium</b>	We respond by expanding the scope of the HR Solution business into IT/Web business, video distribution business, live distribution business, AR/VR business, etc., which are adjacent fields of the gaming industry
<b>HR</b> <b>Violation of laws and regulations</b>	Infringement of labor-related laws and regulations may lead to cancellation, etc. of government approval and authorization	<b>Medium</b>	<b>Large</b>	We ensure thorough compliance with various laws and regulations by conducting compliance training, strengthen the system by holding Risk Management Committee meetings, and strive to prevent legal violations from happening by conducting continuous internal audits.
<b>Media</b> <b>Updates of search engines</b>	The order in the display of search results of our clients may be lowered and the unit price of remuneration we receive from clients may decrease	<b>Medium</b>	<b>Small</b>	We always monitor various indicators including the number of views and stay time, and constantly implement such measures as increasing the number of posted articles and improving the quality of articles



## Envisioning the future together at the frontline of the creative industry

**Inquiries about this material: Administration Division ([ir@confidence-inc.jp](mailto:ir@confidence-inc.jp))**

### **Handling of this material**

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In addition, the information contained in this material and related to matters other than the Company has been quoted from publicized information. The Company has made no verification about the accuracy and appropriateness, etc. of such information, and provides no guarantee about it.