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For Immediate Release

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Q&A for the Financial Results for the Cumulative First Quarter of the Fiscal Year Ending
September 30, 2025

Thank you for your continued support of the Company.

We have summarized the items that we expect to be of high interest in the financial results for the first quarter of the fiscal year ending September 30, 2025, announced on February 14, 2025. Please see the attachment for details.

Q1: I would like you to explain the results (actual results) for the first quarter of the fiscal year ending September 30, 2025.

In FY2025 1Q, net sales were 3.89 billion yen (up 27.1% year on year), and operating profit was 1.12 billion yen (up 9.0% year on year). The progress rate against the full-year forecast was 22.0% for net sales and 20.0% for operating profit. The progress of each business is as follows.

<HR Solutions>

- Talent Palette

Monthly recurring revenue, which is our main source of revenue, has increased significantly due to an increase in the number of customers and higher unit prices, and net sales have expanded year on year. In the first quarter of the fiscal year ending September 30, 2025, the increase in profits compared to the previous year was limited due to the investment of marketing expenses being brought forward, but we plan to control this by limiting full-year expenses from the second quarter onwards.

- Yorisoar

Net sales are steadily increasing as the number of customers increases. Meanwhile, we are making losses as we are continuing to invest in growth to expand our business, but the amount of losses is being limited.

- Grow Up

Orders have continued to be weak, and both net sales and profits have fallen compared to the previous year. The recruitment market for new graduates is becoming earlier and longer, and the reason for this is that we have not been able to fully respond to these changes. Going forward, we intend to aim to be profitable over the full year by reducing personnel and marketing costs.

- OM Network

The number of customers is steadily increasing, and we are making good progress, generally as planned.

<Marketing Solutions>

Although the number of customers has decreased slightly, the unit price has increased, and net sales have increased year on year.

Q2: Why is the growth in operating profit smaller than the year-on-year growth in net sales?

As stated in Q1, the main reasons for the decline in profits in the FY2025 1Q were the poor sales performance of our subsidiary (Grow Up) and the proactively bringing forward investment of marketing expenses in HR Solutions.

With regard to the future, in addition to the policy of controlling marketing expenses so that they do not exceed the plan for the full year, the policy is to reduce expenses from 2Q onwards and aim for a profit for

the full year because it is difficult to improve the situation with weak orders for Grow Up in a short period of time.

Q3: What is the reason for the large increase in marketing expenses in the FY2025 1Q?

Marketing expenses for FY2025 1Q increased by about 200 million yen year on year, but the majority of this increase was due to an increase in marketing expenses for Talent Palette. In addition to increasing the amount of web video and listing advertisements, the cost of exhibits at autumn exhibitions has increased more than in previous years.

Usually, marketing expenses increase in the 3Q due to an increase in exhibitions, but in FY2025, we plan to spread out expenses across each quarter, and we believe that marketing expenses in the second half of the fiscal year will not increase as much as in previous years.

Q4: KPIs for HR Solutions

<Number of customers>

The number of new customers increased by 58 in FY2025 1Q, which is less than the previous pace of around 100 new customers per quarter.

Until now, Talent Palette has been focusing on expanding sales to customers with fewer than 200-300 employees, such as by introducing the Lite version, but we have now changed our policy to focus on enterprises with 1,000 or more employees, which contribute significantly to revenue. Furthermore, as the total number of customers is also increasing, the absolute number of cancellations is increasing even if the revenue churn rate remains the same.

<ARPU>

We have been gradually applying increased prices to Talent Palette customers whose contracts are up for renewal from May 2024 onwards, and the effects of this are becoming apparent, and we have been promoting the sale of paid options to existing customers, resulting in an increase in the average revenue per user (ARPU). In FY2024, ARPU was largely unchanged, but this included the impact of an increase in low-price Yorisoar subscriptions and the implementation of limited-time discounts for new subscribers in 3Q to 4Q.

The effect of the increase in ARPU due to the price revision will be seen until FY2025 2Q, after which the factors that will cause ARPU to increase will be cross-selling of paid options to existing customers and up-selling associated with migration to higher-tier plans. Meanwhile, the ARPU of new customers on Talent Palette and Yorisoar is lower than the average of existing customers, so the increase in new customers is a factor in the decline in ARPU. Taking these factors into account, we expect ARPU to remain flat or increase slightly in the future.

The fact that ARPU is flat is a phenomenon occurring due to the increase in new customers, and as these will steadily contribute to increased sales, we do not see this to be a particular problem.

<Revenue churn rate>

Although it is lower than the planned level and stable, it has risen slightly.

As the percentage of customers who have implemented Talent Palette for several years or more is increasing, there are cases where contracts are being reviewed due to budget revisions or changes in circumstances since it was implemented.

Q5: KPIs for Marketing Solutions

<Number of customers>

The number of customers fell by 30 in FY2025 1Q, a significant decrease.

There has been no significant change in the pace of orders from new customers, but at present, cancellations are exceeding orders due to the factors listed below in the <Revenue churn rate> section.

<ARPU>

The price increase is being applied to Visualization Engine customers whose contracts are up for renewal from May 2024 onwards, and the effects of this are starting to be seen. In addition, many of the customers who have cancelled their contracts as mentioned above have low unit prices and simple use cases, and such cancellations also include the effect of raising the overall average.

<Revenue churn rate>

We have had cancellations from Visualization Engine customers we have recently acquired. Many of these customers are light users (who only use social analysis tools for SNS, etc.), and there has been an increase in the number of cases where they cancel their subscriptions after a short period of use. However, as the unit price for light users is low, the impact on net sales is limited.

In the future, we hope to increase the retention rate by strengthening sales to enterprise customers and promoting the use of our services for a wider range of applications for light users.

Q6: With regard to the effect of investments in new businesses, what is your awareness of the period of losses and when profits will be able to be recorded?

We are currently working on new businesses such as Yorisoar (solutions for educational institutions) and Hicare Wellness (solutions for nursing and medical institutions).

As both of these services are like “industry-specific versions” of Talent Palette, we are developing new services in a way that does not require large development investments even during the launch phase, by efficiently utilizing the assets accumulated through existing services in terms of system development. Meanwhile, a certain amount of upfront costs are incurred due to the need for certain marketing activities and the sales and support staff required for these activities in order to promote and popularize the services.

Our image of the revenue during the initial launch period of a new business is that the first year or so is a

“trial period” during which we will improve the service and implement necessary functions while having several client companies actually use it. If the trial period is successful and we move forward with commercialization, it is started with a small organization of around ten people. If the business expands steadily after that, we envision a process somewhat like: first year (sales of less than 100 million yen, loss of around 100-200 million yen), second year (sales of around 300-400 million yen, loss of around 100-200 million yen), third year (sales of around 700-800 million yen, break-even point), and contributing to profit from the fourth year onwards.

Yorisoar, which is a new business we are currently working, is also progressing in a similar way as described above. Although it is currently running at a loss, it is not a situation where the loss is growing significantly, and we recognize that it is an investment necessary to further enhance our future growth potential.

Q7: What is your image of M&A initiatives and their returns?
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Plus Alpha Consulting is considering the following as target areas for M&A: (1) fields surrounding Talent Palette (p.10 of the Financial Results Briefing Materials announced on November 8, 2024), and (2) value-added service areas for existing customers (p.12).

<Fields in (1)>

These focus on expanding the “functions” of client companies, such as employee recruitment, training, welfare, and health management. By covering fields surrounding Talent Palette, we are targeting businesses that will strengthen relationships with customers and contribute to profits.

Basically, the company must have a certain level of customer base (with sales of at least 1 billion yen) and a favorable revenue situation.

<Fields in (2)>

In the process of providing services to existing customers, we are targeting areas where there are needs for related services. More specifically, this includes human resource business planning (consulting, etc.) in the field of HR Solutions, and BPO services that support customers’ business processes. By preparing a wide-ranging service menu meeting needs for customers, we aim to increase revenue per customer while also strengthening customer engagement. In this field, the condition is that the project can be judged to be one in which know-how can be accumulated efficiently compared to establishing an equivalent team within the company. In fields in (2), we do not consider any particular restrictions on the scale of the business.

We anticipate cases where goodwill is generated in both (1) and (2), so the condition for execution is that the outlook is for a positive figure after amortization. After a company becomes part of the Group, we plan to achieve synergies by increasing sales and profits beyond our pre-investment expectations from the second year onwards, through cooperation in sales (mutual referral of customers) and support in development (strengthening of functions and service collaboration in terms of functionality, utilizing our know-how).

Q8: Overview and progress of the purchase of treasury shares announced on November 29, 2024

The Company has resolved to implement the purchase of treasury shares as follows.

Details of the resolution of the Board of Directors in the meeting held on November 29, 2024 (announced on November 29, 2024)

- (1) Class of shares subject to purchase: Common shares
- (2) Total number of shares that can be purchased: 2,320,000 shares
[Ratio to total number of shares issued (excluding treasury shares): 5.5%]
- (3) Total value of purchase of shares: 3,000,000,000 yen
- (4) Purchase period: December 2, 2024 to March 24, 2025
- (5) Purchase method: Market purchase on the Tokyo Stock Exchange

As of January 31, 2025, a total of 1,039,100 shares, or 1.86 billion yen equivalent to 62.3% of the total acquisition cost, had been purchased, and the Company plans to purchase up to the remaining 1.13 billion yen by March 2025, when the purchase period ends.

Q9: Shareholder return policy

The Company aims to enhance corporate value in the medium to long term and in a sustainable manner, and we would like to provide shareholder returns that contribute to enhancing corporate value.

Our basic policy is to continue to pay stable dividends, and we aim to have a payout ratio of 20%.

Meanwhile, we also think it is important to increase internal reserves because we also anticipate the need to invest in the development of attractive services and carry out M&A to expand our business.

For this reason, we have a policy of flexibly implementing purchase of treasury shares, taking into account factors such as the current share price, economic conditions and our financial situation.

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