Relo Group, Inc.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2027

November 12, 2026

Event Summary

[Company Name]	Relo Group, Inc.	
[Company ID]	8876-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending March 2027	
[Fiscal Period]	FY2027 Q2	
[Date]	November 12, 2026	
[Number of Pages]	23	
[Time]	18:00 – 18:51 (Total: 51 minutes, Presentation: 28 minutes, Q&A: 23 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	3	
	Yasushi Kadota	Director, CFO, CIO
	Takeshi Kawano	Director, COO
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	Yuki Kuwana	Mizuho Securities
	Masubuchi	SBI Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Yasuda: Well then, as it is now the scheduled time, we will now begin Relo Group, Inc.'s Q2 financial results briefing of the fiscal year ending March 2027.

Thank you very much for taking the time to join us today despite your busy schedules.

Without further ado, I would like to introduce the attendees. First is Kadota, Director, CFO, and CIO.

Kadota: It's a pleasure to be here.

Yasuda: Next, we have Kawano, Director and COO.

Kawano: It's a pleasure to meet you all.

Yasuda: I'm Yasuda from Corporate Planning Division, and I'll be moderating today's session. Thank you for your attention.

Now, I'd like to provide some information about today's materials.

The presentation materials for Q2 of the fiscal year ending March 2027 are available in the "Presentation Materials" section of the IR Library on our company website, so please feel free to refer to them.

Today, Kadota will explain the financial results for Q2 of the fiscal year ending March 2027.

Following that, Kawano will discuss recent developments in our fringe benefits business.

We will set aside time for a Q&A session after the presentations, so please feel free to ask any questions you may have at that time.

This briefing is scheduled to last up to 60 minutes. Please note that if we receive a large number of questions, we may not be able to answer all of them.

If we are unable to address your questions today, please contact our IR representative, and we will happy to address them individually.

Now, Kadota will begin his presentation.

Q2 FY3/2027

Consolidated Results

(Millions of yen)

	FY2025/9 Actual Results	FY2026/9 Actual Results	YoY
Revenue	72,929	**78,495**	+7.6%
Operating Profit	14,852	**14,844**	(0.1%)
Profit before Income Taxes	14,918	**15,187**	+1.8%
Profit attributable to owners of parent	10,166	**10,449**	+2.8%



- Revenue increased 7.6% year on year, reflecting a buildup of recurring revenue in each business.
- Operating profit rose 6.6% year on year, excluding the impact of asset sales in the Tourism Business the previous fiscal year.
- Both revenue and operating profit exceeded the plan and progress is mostly in line with expectations.

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Kadota: Once again, thank you for joining us.

I will now explain our financial results for Q2 of the fiscal year ending March 2027.

On a consolidated basis, revenue was JPY78,495 million, operating profit was JPY14,844 million, profit before income tax was JPY15,187 million, and net income was JPY10,449 million.

Regarding revenue, we saw YoY growth due to factors such as the accumulation of business volume across our various segments.

As for operating profit, while underlying business revenue is growing steadily, we recorded a gain of JPY920 million from the sale of assets in the tourism business during Q2 of the previous fiscal year. However, since we plan to conduct a similar sale in H2 of this fiscal year, operating profit remained virtually flat compared to the previous fiscal year.

Incidentally, when comparing figures excluding the impact of this difference in the timing of asset sales, operating profit increased by 6.6% YoY.

On a consolidated basis, both revenue and operating profit are largely in line with our plans, and we are progressing as scheduled toward achieving our full-year targets.

Now, I would like to explain our performance by segment.

Q2 FY3/2027

Outsourcing Business : Results

(Millions of yen)

	FY2025/9 Actual Results	FY2026/9 Actual Results	YoY
2Q (Jul–Sep)			
Revenue	20,080	**21,743**	+8.3%
Operating Profit	5,808	**6,187**	+6.5%
1H (Apr–Sep)			
Revenue	40,050	**43,907**	+9.6%
Operating Profit	11,428	**12,448**	+8.9%



- The segment achieved gains in revenue and profit, with revenue up 9.6% year on year and operating profit up 8.9% year on year.Outsourcing Business: Fringe Benefit Business, Leased Corporate Housing Management Business, and Relocation Support Business

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First, regarding the outsourcing business, revenue increased 9.6% YoY to JPY43,907 million, while operating profit rose 8.9% to JPY12.448 billion.

This segment consists of three main components: first, the fringe benefits business; second, the leased corporate housing management business; and third, the global relocation support business. I would like to explain each of these on the next pages.

Q2 FY3/2027

Fringe Benefit Business : Summary

	FY2025/9 Actual Results	FY2026/9 Actual Results	YoY
Revenue (Millions of yen)	14,868	**16,124**	+8.4%
Operating Profit (Millions of yen)	6,182	**6,497**	+5.1%
Membership (million people)	7.59	**7.47**	(1.6%)
Number of Member Companies (companies)	13,431	**13,041**	(2.9%)

* The membership and the number of member companies in the Fringe Benefit Business do not include the numbers of individuals or companies related to OEM or CRM



Summary of FY2027/3 2Q Results

- Members' usage increased due to enhanced products and services, as well as improved convenience. This led to higher revenue.
- The number of members stood at 7.47 million. The number of members declined 1.6% year on year due to a significant number of members canceling their memberships towards the end of the previous fiscal year.
- In compliance with "equal pay for equal work" requirements, expansion of eligibility to non-regular employees was promoted at existing companies.

FY2027/3 Plan

Revenue	**32,500** Millions of yen	+6.9%
Operating Profit	**13,500** Millions of yen	+6.1%
Membership	**7.8** million people	+6.6%

Priority Measures

Enhance services and improve average spend	Strengthen alliances.	Improve engagement
Gradually release products such as CAFETERIA PLUS+. Accelerate high-spend orders and membership cancellation prevention through proposals combining HR products and related services.	Expand customer contact points nationwide through cooperation with partners. Differentiate services through the development of regional menus and other offerings.	Create a differentiated menu by promoting menu development to increase use. Seek to increase revenue per member.

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First, the fringe benefits business, which saw both revenue and profit increase YoY by 8.4% to JPY16.124 billion and 5.1% to JPY6.497 billion, respectively.

SCRIPTS Asia's Meetings, Globally

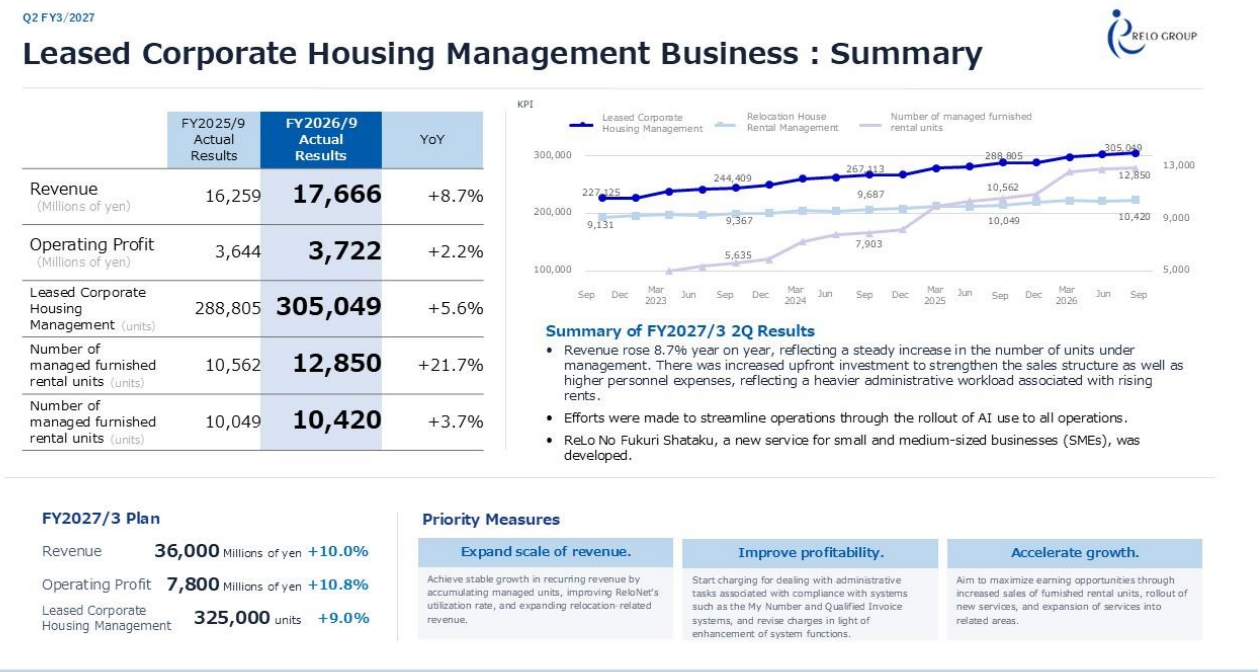
As in Q1, growth in membership fee revenue—which is deferred revenue—was more subdued than usual due to the impact of major membership cancellations at the end of the previous fiscal year. On the other hand, revenue from member usage has grown, and the business as a whole ended the period with both increased revenue and profit.

Regarding the number of members in the fringe benefits business, as mentioned earlier, it decreased by 120,000 YoY due to the large-scale cancellations at the end of the previous fiscal year, and currently stands at a total of 7.47 million. However, since the start of this fiscal year, there have been no such cancellations, and the number has increased by 150,000.

Regarding member acquisition, in addition to attracting new members and those switching from other companies, we are promoting efforts among existing corporate clients to expand service coverage to non-regular employees as part of our response to the “equal pay for equal work” principle. Following the revision of the guidelines on October 1, this has already led to the acquisition of approximately 5,000 members.

Although the pace varies by company, we are moving forward with these efforts.

Regarding recent developments in the fringe benefits business, after my explanation, COO Kawano will provide further details.



Next, I would like to discuss our leased corporate housing management business.

Revenue increased 8.7% YoY to JPY17,666 million, with operating profit also increasing by 2.2% to JPY3.722 billion.

As companies step up their efforts to secure and retain talent, demand for corporate housing programs has also increased. The number of units under management has been steadily growing.

Consequently, stock revenue also increased, leading to higher overall revenue.

On the other hand, in terms of profits, growth was lower than in the same period of the previous year, primarily due to an increase in costs, mainly personnel expenses, following Q1.

As for the factors behind this cost increase, first, we have been strengthening our sales structure as an upfront investment to further solidify our top position in the corporate housing market as we approach the final year of our medium-term plan.

This was an initiative we had originally planned. Separately, a somewhat unexpected development has been a significant increase in rent renegotiations at renewal time due to rising market rents, which has contributed to the rise in labor costs.

In addition to coordinating with property owners and corporate HR departments, we are handling everything in-house, from explaining the situation to tenants themselves to reaching agreements on rent increases, which has led to a higher-than-expected workload and an increase in personnel expenses.

We anticipate that this situation will continue to some extent in the future; therefore, we will reevaluate the scope of our services during rent adjustments, review our service structure, and implement measures such as setting fees based on the specific services provided.

At the same time, under these circumstances, improving operational efficiency has become a more critical priority than ever before.

While we have been working to improve productivity by investing in our core systems, we believe there is still room for further efficiency gains in tasks that require human judgment and labor, such as contract signings, renewals, and cancellations.

We believe that the use of AI will be particularly key in this regard, and we are already beginning to see results in some operations. Going forward, we will work to improve profitability by rolling out these initiatives across the board.

Next, regarding the number of units under management, both leased corporate housing and vacant homes are increasing steadily. The number of leased corporate housing units under management rose 5.6% YoY to 305,049 units, while the number of vacant homes under management increased 3.7% YoY to 10,420 units.

Recent newspaper articles and other reports have indicated that demand for company housing and dormitories is rising in line with rising rent levels, creating a favorable environment for increasing the number of units under management.

To steadily capture this demand, we are strengthening our sales structure, as explained earlier.



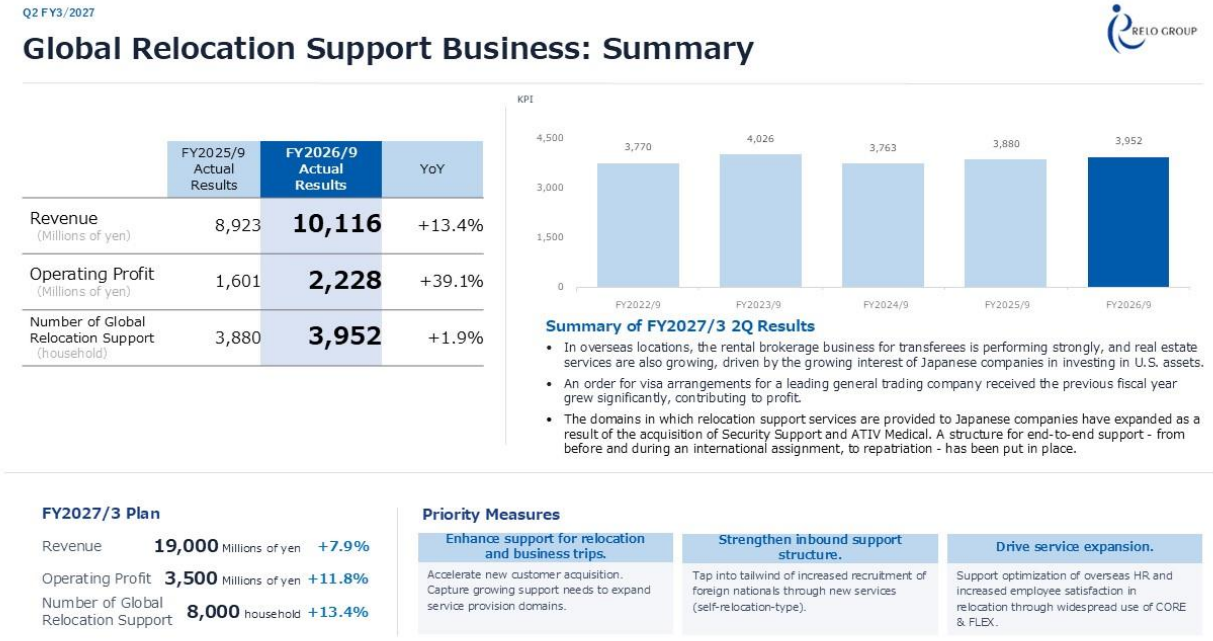
In addition, in response to this growing demand, we are working to develop new services.

One example of this is “Relo’s fringe corporate housing,” which we developed as a company housing service that is easy for small and medium-sized enterprises to adopt.

Traditionally, the leased corporate housing system has been used primarily by relatively large companies, but in recent years, interest from small and medium-sized enterprises has also been growing with the aim of securing and retaining talent.

To meet these needs, we have developed a packaged product that is easy for small and medium-sized enterprises to adopt and have begun cross-selling it alongside our employee benefits business.

Although the contribution to revenue is still modest at this stage, we are laying the groundwork for future expansion.



Next is our Global relocation support business.

With revenue up 13.4% YoY to JPY10,116 million, operating profit also rose 39.1% to JPY2.228 billion.

This resulted in a substantial growth in both revenue and profit. At Relo Redac in North America, revenue related to relocation services, including rental brokerage for expatriates, remained strong—continuing the trend from Q1—while office brokerage and real estate sales brokerage for Japanese companies also remained at a high level.

Furthermore, the number of households receiving overseas assignment support increased by 72 compared to the same period last year, reaching 3,952 households.

Visa arrangements for a major general trading company, for which we received an order in the previous fiscal year, have been growing and are contributing to the increase in profit.

Furthermore, we have received inquiries from existing clients expressing a desire to expand the scope of services entrusted to us beyond just visa arrangements to include related services as well.

We expect this business to continue performing well in H2 of the fiscal year.

In addition, as procedures related to overseas assignments become increasingly complex, there is a growing need to outsource tasks—which were traditionally handled in-house—to external providers more than ever before.

Our company has been providing one-stop support throughout the entire process, from the start of an overseas assignment to the employee's return. We have established a highly unique position as a comprehensive outsourcing provider, and to further strengthen this position, we are expanding into related service areas through M&A. I would like to introduce a few examples.



The first example is the acquisition of Security Support Inc., a provider of overseas crisis management services for expatriates. This company provides crisis management system development, various training programs, and emergency response support to companies expanding overseas.

Against the backdrop of rising geopolitical risks and changing conditions in various countries, the importance of overseas crisis management for companies has been increasing year by year. We expect cross-selling opportunities with our existing relocation support services.



The second case involves ATIV Medical, regarding which we issued a press release on October 20; the acquisition of its shares was completed today, and the company has now joined our group.

The company had been providing healthcare services to Japanese expatriates in Southeast Asia, including on-site medical services, such as referrals to medical institutions and support for medical consultations. The addition of these capabilities will further enhance the comprehensive strength of the services that are our core strength.

Through these M&A activities, we will strive to grow this business while clearly differentiating ourselves by quickly establishing a support system that no other company can match.



Next, I would like to discuss our residential property management business.

This segment posted YoY growth of 8% in revenue to JPY26,287 million and 4.5% in operating profit to JPY3.367 billion.

However, looking at Q2, operating profit decreased YoY primarily due to the timing of asset sales shifting to H2 of the fiscal year compared to the previous period.

On the other hand, the number of units under management has been steadily increasing, and in addition to growth in management revenue, revenue from construction work and brokerage services derived from managed properties is also expanding.

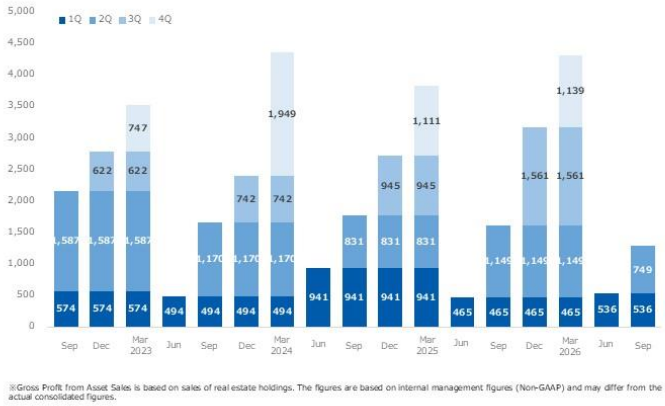
Revenue based on the number of units under management, excluding asset sales, has seen double-digit growth compared to the same period last year. Regarding our assets, the timing of sales can fluctuate from day to day on a quarterly basis.

Q2 FY3/2027

Residential Property Management Business : KPI

(Millions of yen)

	FY2025/9 Actual Results	FY2026/9 Actual Results	YoY
Gross profit on sales of real estate	1,614	**1,285**	(20.3%)



※Gross Profit from Asset Sales is based on sales of real estate holdings. The figures are based on internal management figures (Non-GAAP) and may differ from the actual consolidated figures.

- Gross profit on sales of real estate in the first half fell year on year but good progress was made purchasing properties to sell from the second half onwards.
- Implement real estate sales and purchases as measures to tap into inheritance-related needs and prevent cancellation of management contracts.

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As these are internal management figures, they are for reference only. However, as shown on the slide, gross profit from real estate sales in H1 was down JPY320 million YoY.

Since our current portfolio acquisition efforts are progressing smoothly, we believe it is entirely possible to secure profits on a full-year basis comparable to the previous year.

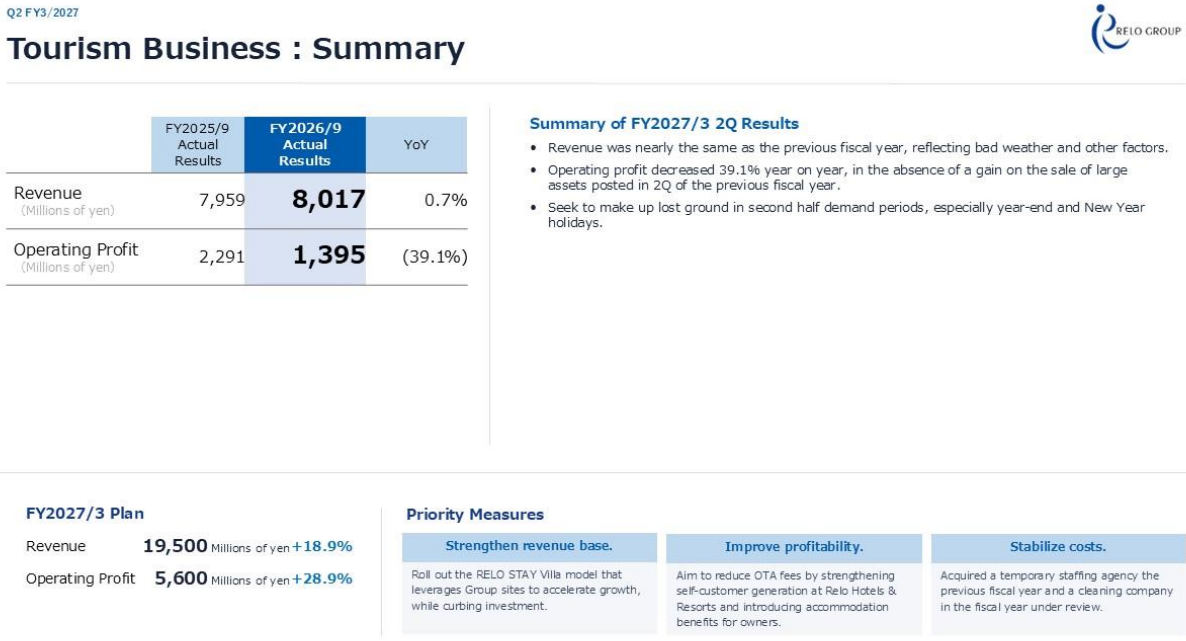
As for the number of units under management, as I mentioned earlier, it has increased by 5,582 units YoY to 129,709 units.

In Q2 of this fiscal year, a new rental property management company in the Kyushu region joined our group. This company added approximately 1,200 units to our portfolio, and another company in the Kyushu region, which is also newly joining the Group, is managing approximately 4,000 units in the current Q3.

With these additions to the Group, the total number of units under management in the Kyushu region has reached approximately 15,000, further strengthening our business foundation.

By leveraging this scale, we expect to generate further synergies, not only by mutually utilizing each company's strengths in areas such as rental management and brokerage but also by reducing costs through the consolidation of construction contractors and proposing large-scale construction projects that capitalize on our collective expertise.

We will continue to expand our portfolio of managed units and our revenue base through M&A.



Finally, let me discuss the tourism business.

Revenue remained virtually flat YoY at JPY8,017 million, while operating profit decreased by 39.1% to JPY1.395 billion. The reason for the decrease, as I mentioned at the beginning, is that we recorded a gain on the sale of assets of JPY920 million in Q2 of the previous fiscal year, whereas we are planning such a sale in H2 of this fiscal year.

That said, from an operational perspective, we struggled to attract customers during the summer due to the impact of earthquakes and typhoons.

We believe that travel demand itself, including inbound tourism, remains strong, so we will strive to recover by effectively capturing demand during the peak season in H2 of the fiscal year, starting with the year-end and New Year holidays, while simultaneously promoting efficient operations.

As for our assets, we are planning to record a gain on sales of JPY1.9 billion this fiscal year.

As I mentioned at the beginning, although no gains were recorded in H1, projects are currently progressing smoothly. At this point, there are no changes to our full-year sales plan, and we will continue to steadily move toward closing these deals.

That concludes my explanation of each business segment.

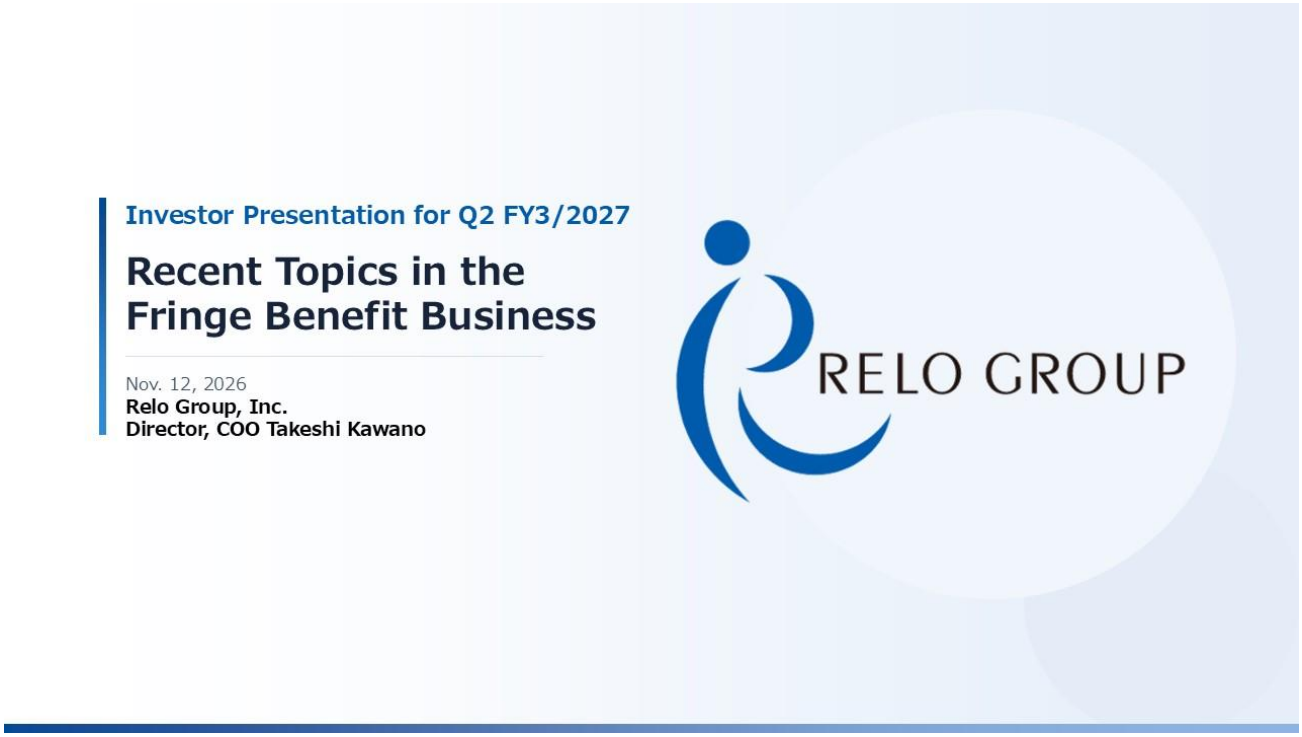
Finally, regarding our full-year outlook, the fringe benefits business is on track with our plan. While the leased corporate housing management and tourism businesses are slightly behind schedule, the relocation support and residential property management businesses are performing well.

On a full-year basis, we expect the growth of these strong business segments to offset the shortfall, enabling the group as a whole to achieve its targets.

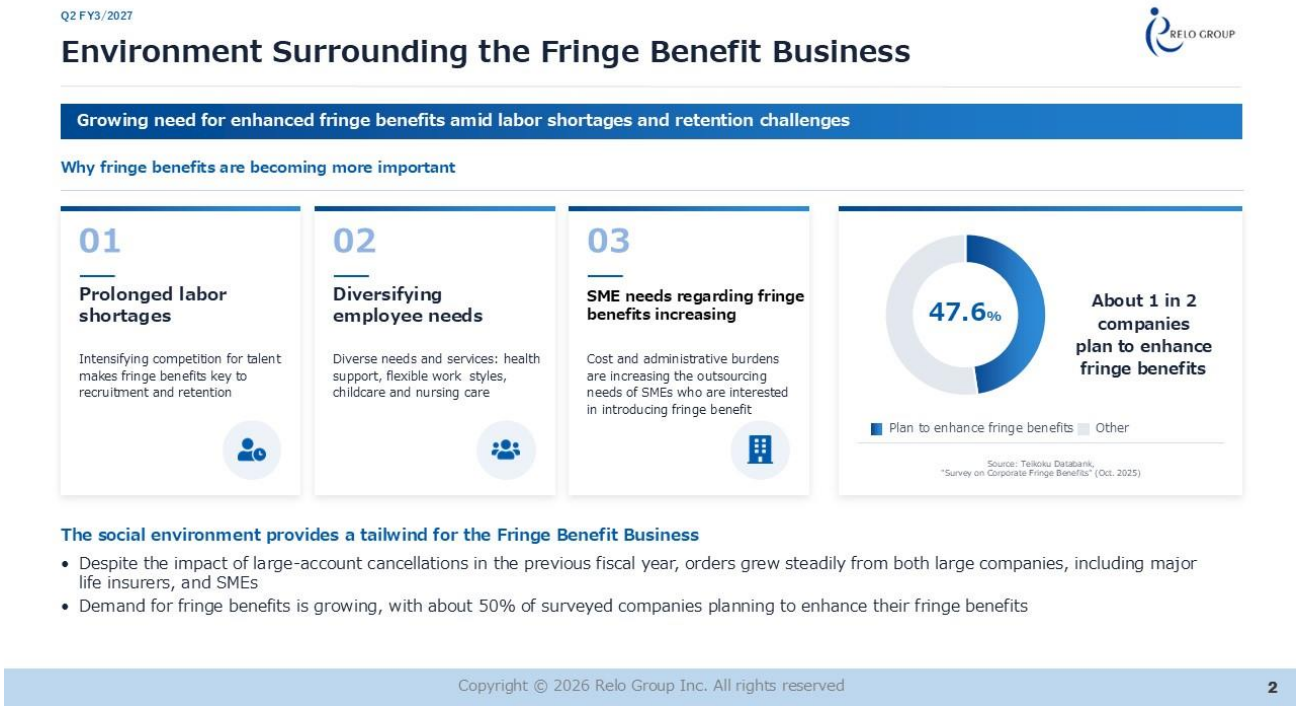
This concludes my presentation. Thank you for your attention.

Yasuda: That concludes our explanation of the financial results.

Next, Kawano will explain the highlights of our fringe benefits business.

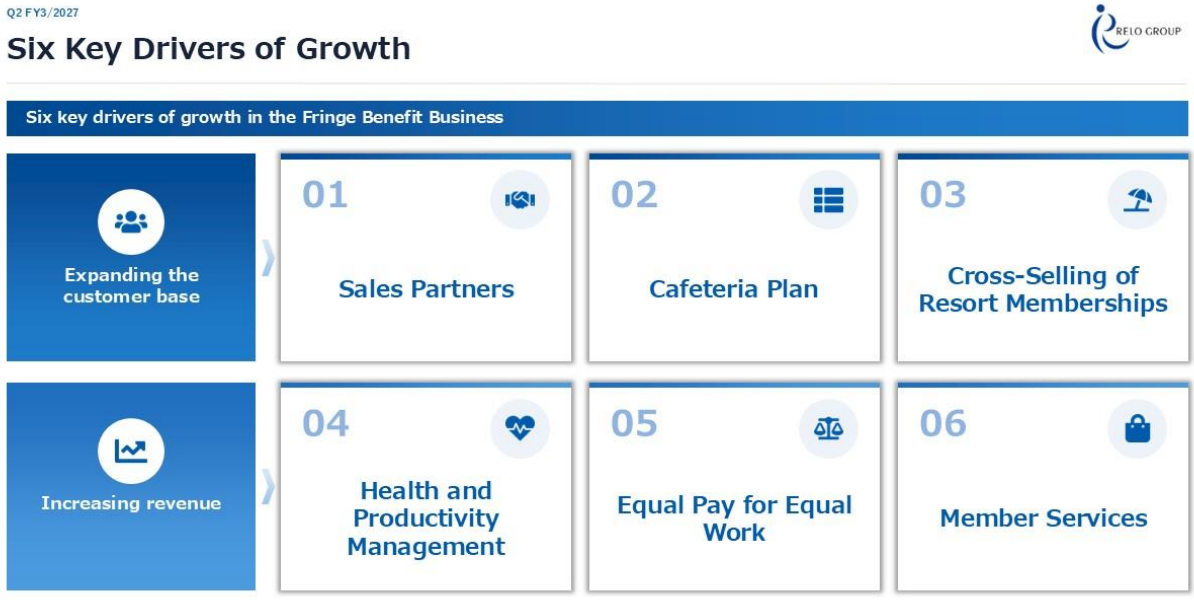


Kawano: This is Kawano again. I will now explain recent developments in the fringe benefits business. Thank you for your attention.



As Kadota mentioned earlier, although we were impacted by several large-scale contract cancellations last year, this fiscal year has seen a steady increase in orders not only from major corporations, such as large life insurance companies, but also from small and medium-sized enterprises.

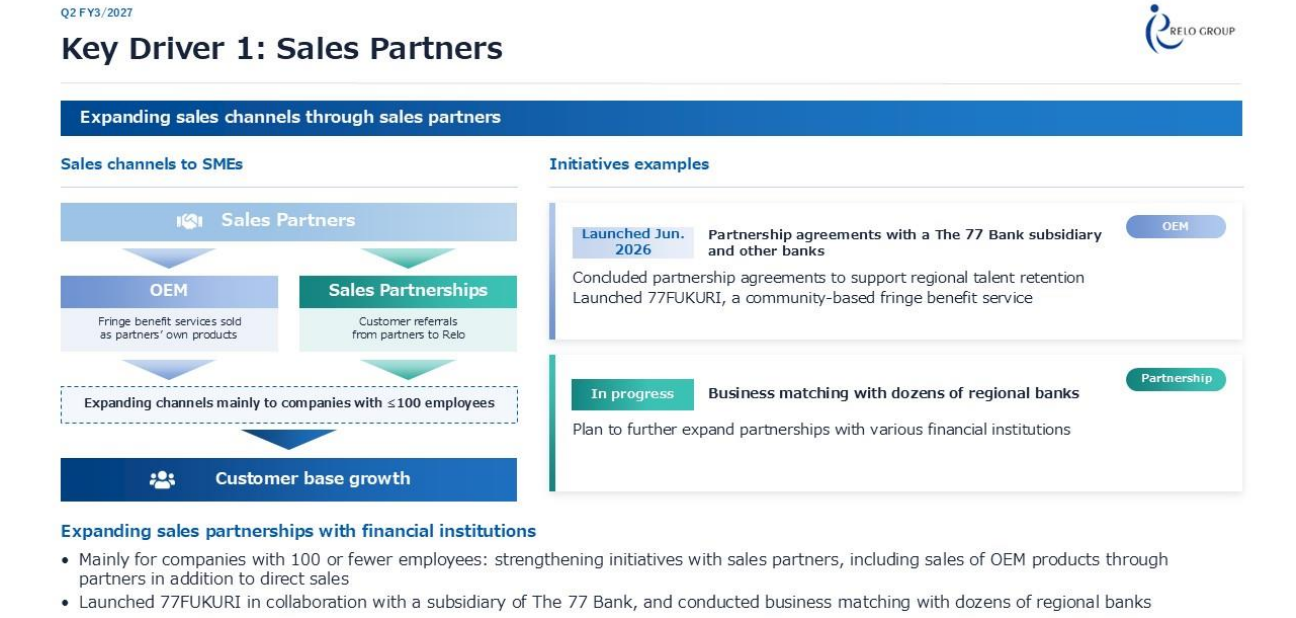
According to a survey by Teikoku Databank on corporate employee benefits, approximately 50% of companies plan to enhance their benefits programs in the future. Given this social environment, we feel that the fringe benefits business is currently experiencing favorable conditions.



In this environment, we intend to drive future growth by pursuing two strategic directions: initiatives to expand our customer base and initiatives to increase revenue from that base. Our efforts to expand our customer base include initiatives related to sales partners, cafeteria plans, and cross-selling of resort memberships.

Our initiatives to increase revenue include efforts related to health and productivity management, equal pay for equal work, and member services. We aim to drive growth by advancing these six key drivers.

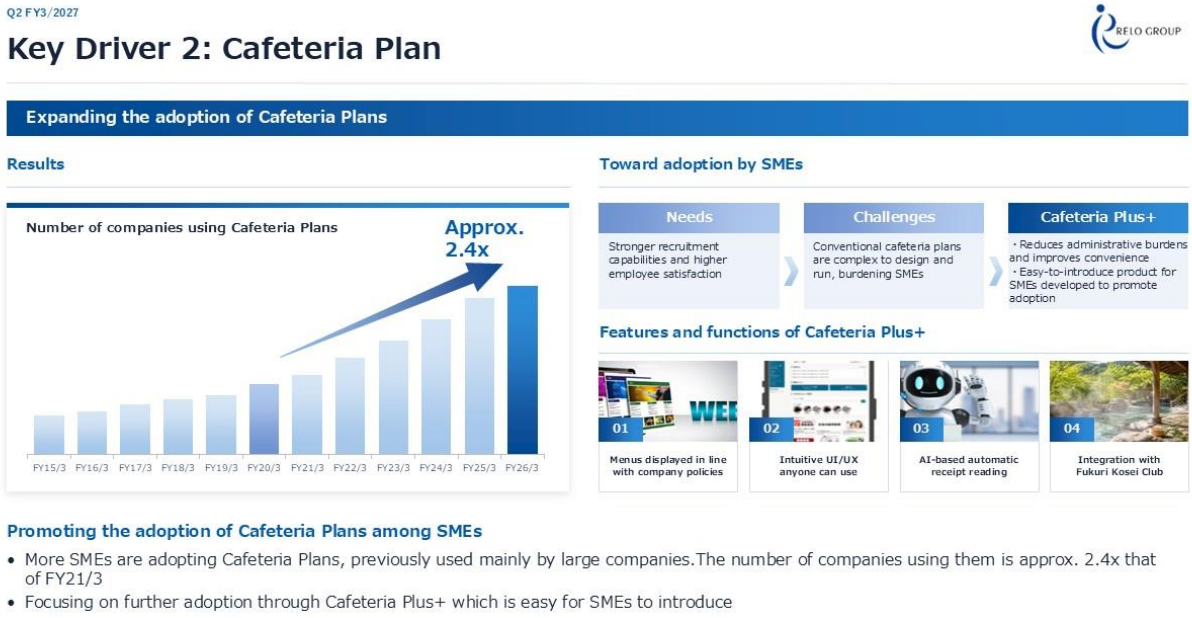
I would now like to introduce our initiatives.



The first point is the development of the small and medium-sized enterprise (SME) market through sales partners. As labor shortages and challenges with employee retention become increasingly severe among SMEs, there is a growing need to enhance employee benefits in order to strengthen recruitment capabilities and improve employee satisfaction.

Therefore, for companies with 100 or fewer employees in particular, we plan to strengthen our collaboration with sales partners, not only through direct sales but also through the sale of OEM products to partner companies.

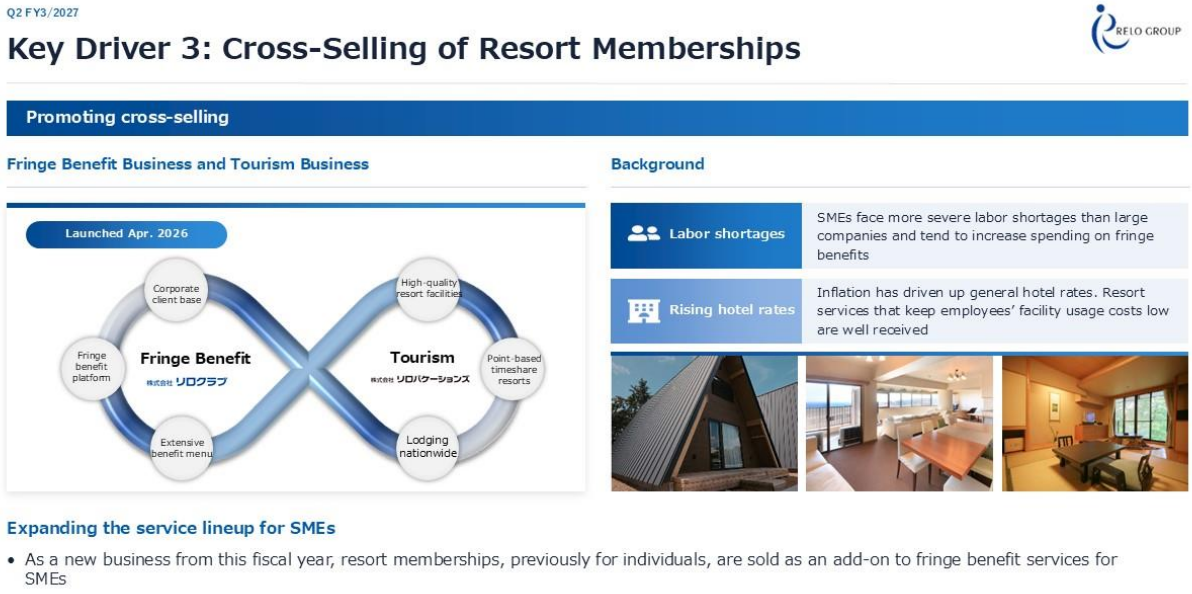
In June of this year, we signed a partnership agreement with a subsidiary of The 77 Bank to support local talent retention. We launched “77FUKURI,” a service that provides community-based employee benefits. In addition, we are already engaged in business matching initiatives with more than a dozen regional banks, and we intend to continue expanding our sales partnerships with various financial institutions in the future.



The second point is the expansion of cafeteria plans to small and medium-sized enterprises. Companies seeking to offer even more comprehensive employee benefits than those provided by standard package services are increasingly opting for cafeteria plans, which allow employees to freely select benefit services from a set number of points.

While cafeteria plans were previously concentrated among large corporations, their adoption by small and medium-sized enterprises is on the rise; as a result, the number of companies implementing cafeteria plans at our company has increased approximately 2.4-fold since FY2020.

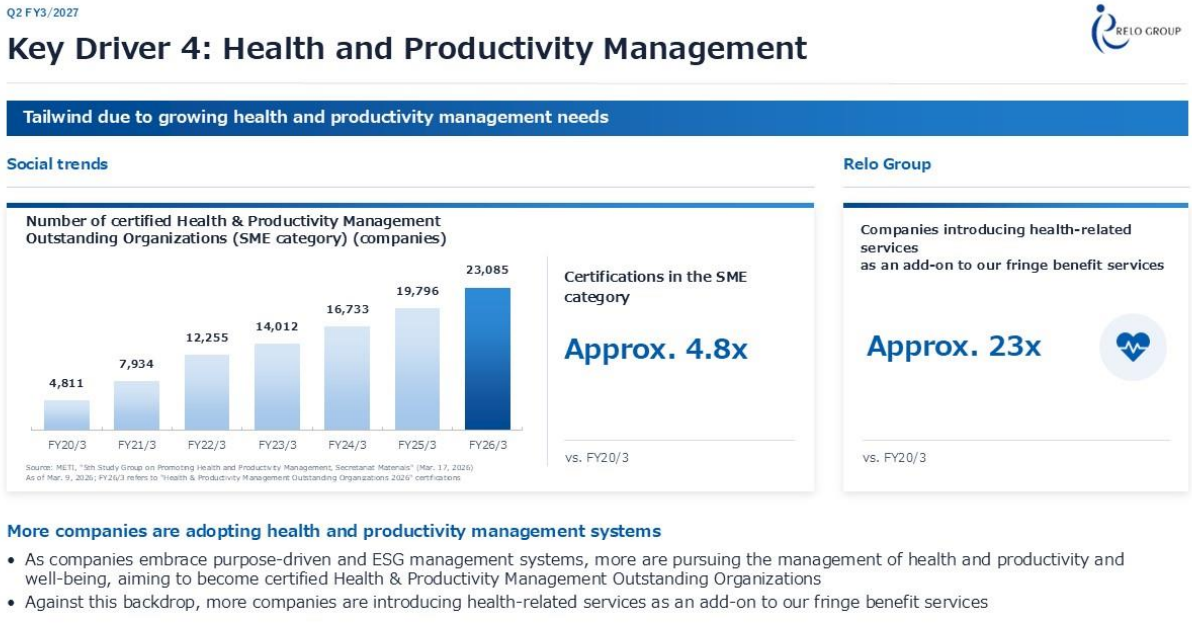
Therefore, to further promote this trend, we have developed “Cafeteria PLUS+,” a product that allows small and medium-sized enterprises to easily implement cafeteria plans, which were previously difficult to design on a company-by-company basis, and we intend to work toward its wider adoption.



The third point is the cross-selling of resort memberships to small and medium-sized enterprises. As a new business initiative this fiscal year, we have begun selling our resort memberships, which were previously intended for individuals, to corporations as part of their employee benefit programs.

We launched the service in April of this year and achieved sales of JPY50 million in H1 of the fiscal year. As general hotel room rates have skyrocketed due to inflation, our resort-style service, which allows companies to keep employee usage fees low, has been well received. Even companies with 50 or fewer employees—primarily owner-operated and family-run businesses—have placed orders at an average unit price more than 10 times higher than that of traditional employee benefit services alone.

As a product that meets the needs of SMEs, we will use it to expand our customer base and further strengthen this service as a cross-sell that contributes to revenue in the tourism business.



Next, I would like to explain our initiatives to increase revenue by deepening relationships with existing customers and expanding value-added services.

First, regarding health and productivity management, which we have identified as our fourth key driver: as companies increasingly champion “purpose-driven management” and “ESG management,” a growing number of firms are prioritizing employee health and well-being as a driving force for contributing to society.

This trend is evident, as the number of certified companies in the small and medium-sized enterprise category under the Ministry of Economy, Trade and Industry’s “Outstanding Organizations of KENKO Investment for Health” program has increased approximately 4.8-fold since FY2019.

Furthermore, the number of companies aiming to obtain this certification is even greater.

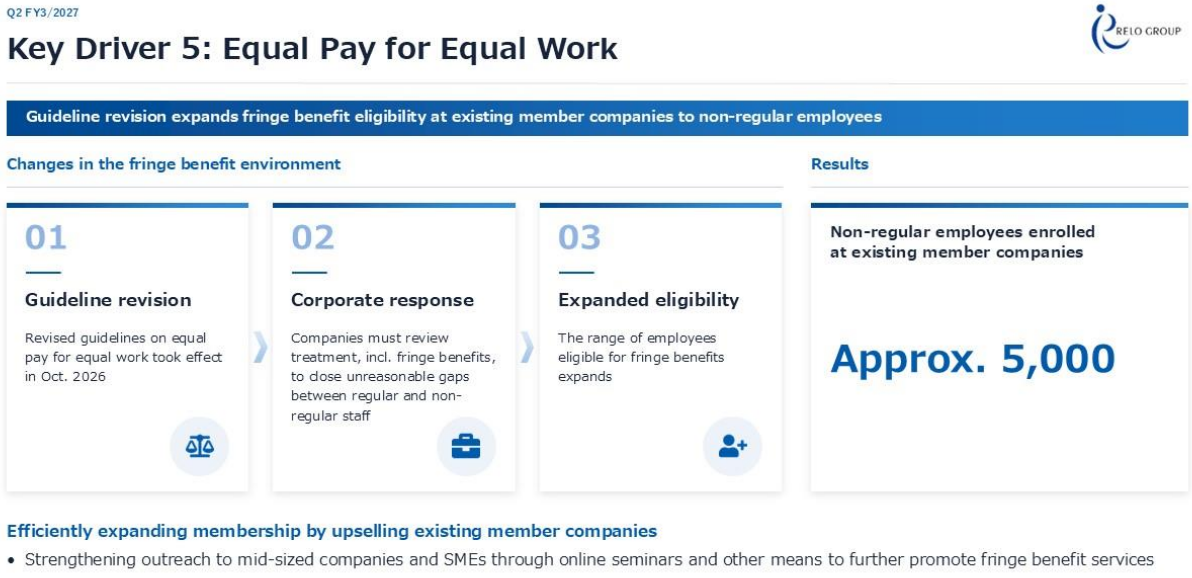
This trend is also evident among our corporate clients; specifically, the number of companies adopting our health-related services as an add-on to our employee benefits services has increased approximately 23-fold compared with 2019.



Against this backdrop, to focus our efforts in this field, we have formed a capital and business alliance with Wellmira, a subsidiary of Tecmira Holdings, to sell health apps.

We provide services that allow employees to record their Personal Health Records (PHR), including diet, exercise, and sleep, and award points redeemable for employee benefits to those who engage in healthy behaviors.

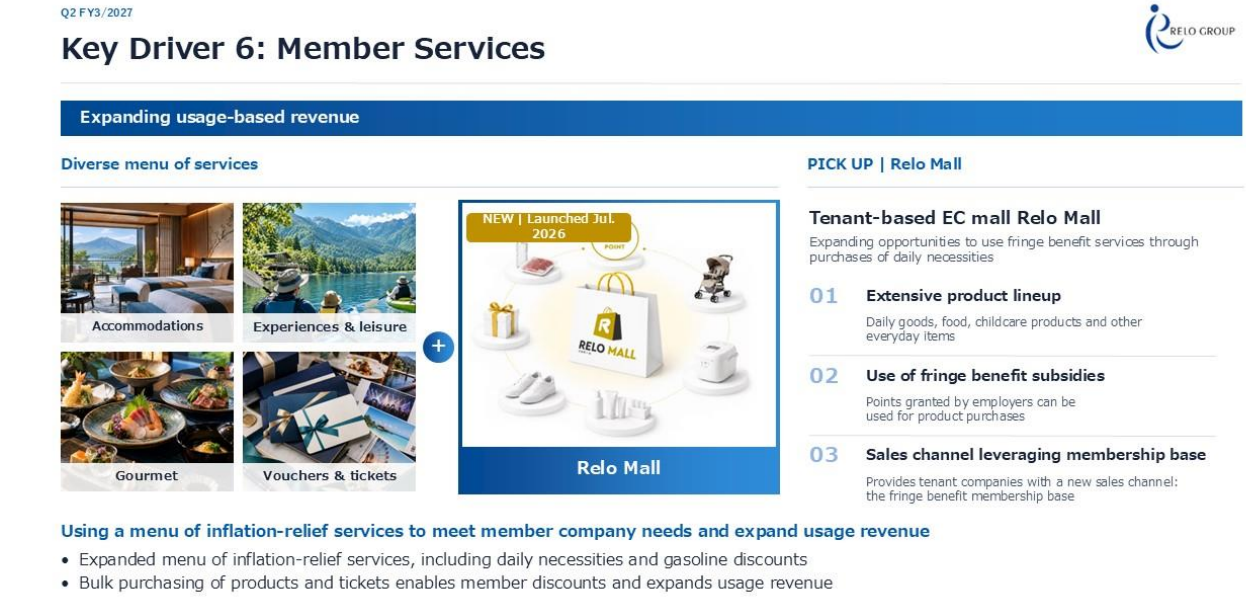
As a result, upsell revenue from our health-related services increased by 29% YoY.



Next, the fifth point is equal pay for equal work. Starting this October, the guidelines regarding “equal pay for equal work” were revised, making it mandatory for companies to provide non-regular employees with the same employee benefits as regular employees.

As Kadota mentioned earlier, although the timing of implementation varies by company, this has already led to the acquisition of approximately 5,000 non-regular employees.

Since this involves upselling to existing member companies rather than new sales, the barrier to entry is much lower compared to traditional acquisition efforts. Therefore, we intend to work toward further expanding awareness by actively holding online seminars not only for major corporations but also for small and medium-sized businesses, where awareness of the revised guidelines remains low, and their management teams.



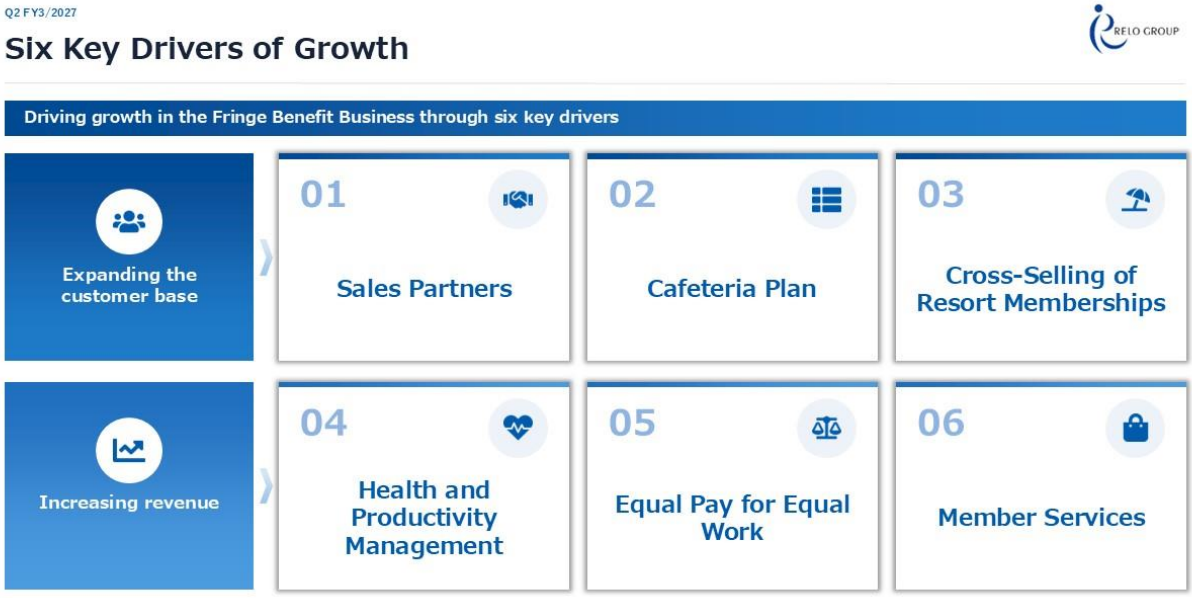
The final growth engine is revenue from member services.

In July of this year, we launched “Relomall,” a workplace-oriented e-commerce shopping mall where members of our employee benefits program can purchase daily necessities at employee discount prices as a measure against rising inflation.

We have developed a system that allows participating companies to expand into the workplace market, a new sales channel, while enabling users to take advantage of subsidies from their cafeteria plans at the time of purchase, thereby making these items affordable.

In addition to meeting the needs of member companies with measures to counter rising prices, such as discounts on daily necessities and gasoline, we will leverage our large membership base to purchase goods and tickets in bulk, thereby securing significant member discounts and generating usage-based revenue.

Revenue from membership services in H1 of the fiscal year increased by 24% compared to the same period last year.



With that, I have presented the strength of customer demand, the favorable market conditions, and our six priority initiatives.

Regarding our most recent operating conditions, while the start of this fiscal year was affected by the aftermath of a major member cancellation in the previous fiscal year, which was influenced by a competitor leveraging its capital and business relationships, current operating conditions show that competitors lack the momentum they had in the previous fiscal year. So far, we have not experienced any major cancellations like those seen previously.

Consequently, our stock revenue is growing steadily, and we believe that this fiscal year we will recover from the impact of last year's cancellations and build a foundation for growth heading into the next fiscal year.

In H2 of this fiscal year, to further capitalize on these favorable conditions, we intend to strengthen and deepen the key initiatives mentioned earlier to accelerate this growth.

This concludes my update on the current status of our fringe benefits programs. Thank you for your attention.

Yasuda: That concludes our presentation.

Question & Answer

Yasuda [M]: We will now move on to the question-and-answer session. Okay let's start. Mr. Sekine from Daiwa Securities, please go ahead with your question.

Sekine [M]: Thank you for your presentation. This is Sekine from Daiwa.

Kadota [M]: Yes, please go ahead.

Sekine [Q]: I have a few somewhat broad questions.

First, as we've now reached the midpoint of the year, I understand that the gain on sales in the tourism business is simply a matter of timing and therefore unavoidable. However, if we set that aside, how should we evaluate H1 overall? Specifically, based on what Mr. Kadota mentioned earlier, while the shortfall in the corporate housing segment seemed somewhat noticeable, I get the impression that other areas were reasonably solid. Could you please provide your general assessment of this situation?

Kadota [A]: Thank you. I'd like to begin by answering your first question.

Overall, as I mentioned in my speech and in my earlier explanation, I think things are proceeding as planned, but looking at the details, fringe benefits are generally on track.

Corporate housing management is slightly behind schedule. Then there's overseas operations and residential property management. I think this area is on track. Tourism is slightly behind schedule. That's the general picture. As Mr. Sekine mentioned in his comments, the discrepancy in tourism is largely due to timing differences in our assets, that's the biggest factor. But aside from that, we did struggle a bit during the summer, which I believe is why we're slightly behind in that area.

Also, regarding corporate housing, the impact of rent adjustments, or rather, the resulting administrative workload, has been greater than anticipated, leading to higher-than-expected personnel costs in this area.

However, as I mentioned earlier, the relocation support business is currently performing very well, and we look to exceed our targets in this area. As for residential property management, since this also involves asset-related aspects, the timeline has shifted slightly later than in the previous period. As with the tourism segment, if we exclude that portion, core revenue is growing at a double-digit rate, so I view this as a strong performance. Therefore, I believe these two business segments will be sufficient to cover the shortfall.

This is really just a rough estimate, but when considering the growth rate for H1, specifically the tourism and residential property management businesses, which are part of the asset business, and applying that H1 growth rate to H2 after excluding the asset segment, I think we should view the relocation support business as slightly weaker than in H1, so we are taking a conservative view there.

That would bring the total increase to roughly JPY30 billion. If we add the tourism business, residential property management business, and asset management to this for H2, that comes to roughly JPY4 billion in total. That brings the total to JPY34 billion.

Roughly speaking, that is how we view the situation. That concludes my answer.

Sekine [Q]: I see. As for this fiscal year, as you pointed out, the relocation and residential property businesses are performing well, and since fringe benefits are, above all, fairly solid, I think we'll manage to pull through.

That said, in terms of your target outlook for the next fiscal year and beyond, though I don't think it will be 10%, when considering the progress toward that goal, there was a discussion regarding the profit margin challenge in corporate housing, for example. Even in the previous medium-term plan, amid rising costs, it was noted that it would be difficult to increase profits without adjusting prices. As for fringe benefits, rather than the current situation, I think the key point is how the intensifying competition will play out next fiscal year and beyond. Considering each business segment, could you please provide some guidance on how we should approach this starting next fiscal year and beyond?

Kadota [A]: Regarding corporate housing, as you mentioned, H1 of this year has been somewhat of a challenge.

Regarding this, sales have actually grown quite steadily, overall, sales are up 9%, so that's not bad. However, costs have turned out to be higher than expected. Therefore, we believe we need to properly cover these costs. Regarding this, we are currently considering charging a fee for the labor-intensive aspects of our sales operations, essentially, a price increase, to ensure we receive appropriate compensation for the administrative work involved.

We plan to pursue this approach, and in addition, we will utilize AI and other technologies to reduce administrative costs. That is the plan. There are still many areas where we rely on a labor-intensive approach, and we aim to reduce these costs by utilizing AI. This is our goal, and we already began implementing these measures last year, achieving cost reductions of approximately JPY30 million.

As for this year, since H2 is our busiest period, we expect to achieve cost savings of about JPY70 million during this period alone. We plan to gradually scale this up; while the 62nd fiscal year is the target for our medium-term plan, we aim to achieve cost savings exceeding JPY100 million through AI in the corporate housing sector by that time.

That concludes my answer on corporate housing.

Sekine [Q]: How about fringe benefits?

Kawano [A]: Let me explain the fringe benefits.

We mentioned that competition in fringe benefits is intensifying. Last fiscal year, a significant portion of our business came through sales channels with business partners, and we saw large-scale replacements driven by Dai-ichi Life's capital injection. However, we do not anticipate such impacts this fiscal year, and we have submitted proposals to competitive bids. When we enter these bids, we maintain a win rate of about 80%, which is on par with our previous performance. Therefore, I believe we will be able to steadily increase our membership base.

Furthermore, while competition is intensifying, I believe the market itself is expanding significantly. As I explained at the beginning, the number of companies willing to invest in enhancing fringe benefits is increasing substantially, and we are seeing an increase in the average revenue per newly acquired client, particularly among small and medium-sized enterprises.

Furthermore, as I mentioned earlier regarding the six key drivers, in addition to regular membership fees, we are implementing initiatives such as offering support for health and productivity management to secure additional fees. Additionally, a growing number of small and medium-sized enterprises are adopting cafeteria plans. In such cases, in addition to regular membership fees, we can expect management fees for the cafeteria plan, and since these plans often come with company-provided subsidies, we can expect a significant portion of membership usage to be funded by those subsidies. Consequently, we anticipate a rise in usage fee revenue as well.

By making full use of these various strategies and delving deeper into unit prices and usage fees, we believe that despite intensifying competition we can achieve significant growth by increasing both our membership base and unit prices. That concludes my answer.

Sekine [M]: Thank you.

Yasuda [M]: Thank you for your question, Mr. Sekine. Next, Mr. Kuwana from Mizuho Securities, please go ahead with your question.

Kuwana [Q]: Thank you. This is Kuwana from Mizuho Securities. I'd also like to ask two questions.

First, regarding the fringe benefits business, given that the number of members has decreased by 1.6% YoY, I'd like to ask how revenue managed to increase by 8.4%. Could you first break down the revenue into membership fees, CRM, and other usage revenue to show the trends in revenue growth?

Kadota [A]: To answer this in general terms, let's start with revenue. In this area, the number of members has been gradually increasing compared to the end of the previous fiscal year. In the previous fiscal year, we had major cancellations, but since it involved customers with a very low unit price, the financial impact was minimal.

Also, for the current fiscal year, revenue from usage has grown significantly. Since this segment is experiencing double-digit growth, its share of total revenue is gradually increasing. I think that has had the greatest impact on the mix.

Kawano [A]: Yes. While the number of members has increased slightly, as Mr. Kadota mentioned earlier, a significant factor was the shift toward relatively low-cost membership plans.

Revenue from usage fees remains steady, and our "ClubOff" business—which supports customer [inaudible] benefits—is also growing significantly. For these reasons, while we expect membership numbers to rise, we are able to drive growth.

Kuwana [Q]: Thank you. Is the growth in usage-based revenue due to the growth of services like Relomall that was mentioned earlier?

Kawano [A]: That's correct. We're rolling out new initiatives like Relomall, and an increasing number of companies are offering corporate subsidies, separate from our standard packages, through programs like cafeteria plans. As a result, member usage is rising significantly, which is why revenue from usage is also growing substantially.

Kuwana [Q]: I see. In response to the previous question, I believe you mentioned that your company is still winning about 80% of the bids. What is the background behind this, and what specific aspects are being evaluated?

Kawano [A]: Setting aside business relationships we already have, we generally win when competing head-to-head. While our steady sales efforts play a very large part in this, there's also the "Cafeteria Plan," especially with large corporations, where standard package plans are often insufficient, and we're seeing a significant increase in cases where various customizations are requested.

One of our key strengths is our ability to handle such customizations, and another is "Cafeteria PLUS+," which I mentioned briefly earlier.

We've significantly revamped the UI and UX, and we use AI to recommend optimal menu selections.

We've also implemented features like AI-powered OCR for processing receipts, and employees have really appreciated how easy it is to use these tools, which is why we've achieved such a high success rate.

Kuwana [Q]: Thank you.

My second question concerns the potential for AI adoption. I have the impression that your business is centered on stock revenue and involves a fair amount of routine work, and I understand that personnel expenses account for more than half of your SG&A expenses.

Earlier, you explained that there is still room for improvement regarding corporate housing, but I can't help but hope that utilizing AI in other business areas might also have the potential to further boost your operating profit margin. Could you share your current perspective on AI adoption and your outlook for future operating profit margins?

Kadota [A]: Thank you. As you mentioned, my earlier explanation focused solely on corporate housing management, but we do intend to utilize AI across various business areas.

In terms of areas where implementation has already begun and is steadily yielding results, corporate housing management is currently leading the way. However, other business areas, such as fringe benefits and relocation support, also require significant manpower, so we are already in the process of considering the introduction of AI in these areas as well.

We aim to achieve results as much as possible during the term of this medium-term plan. Since there are about two-and-a-half years remaining in the final phase, we intend to deliver results within this time frame.

In the final year, we aim to increase our profit margin. I can't really say at this stage by what percentage we'll be able to increase it, but as you just pointed out, there are still many areas within our company where we rely heavily on a "human-intensive" approach, and I believe AI will be effective in addressing those areas. That concludes my answer.

Kuwana [Q]: Based on the current status of AI usage, are you considering the possibility of slowing down the pace of hiring as part of your recruitment policy?

Kadota [A]: As for whether we'll actually reduce the number of hires, particularly in sales, we don't plan to cut back significantly at this point. However, regarding operational staff, we rely quite heavily on temporary workers, such as temporary agency staff or contract employees. Since corporate housing, for example, is highly seasonal, we often bring in a large number of temporary agency staff all at once.

So, I think we'll be able to reduce hiring in those areas outside of full-time employees. I think that's where we'll see the first results. That is all for me.

Kuwana [M]: I understand. Thank you very much.

Yasuda [M]: Thank you for your questions, Mr. Kuwana.

Now, Mr. Masubuchi from SBI SECURITIES, please go ahead with your question.

Masubuchi [M]: Thank you. This is Masubuchi from SBI SECURITIES.

Kadota [M]: Hello.

Masubuchi [Q]: I have a few questions.

First, regarding the fringe benefits business: I believe you explained that, following the revision of the "equal pay for equal work" guidelines this past October, the number of users has been increasing by about 5,000 per month as a result of this. Could you elaborate on this? Is this to be expected?

I'm concerned that if, for example, the proportion of non-regular employees among your company's clients is low, the expected results might not materialize. What are your thoughts on this?

Kawano [A]: I'll answer that.

First, regarding that figure of 5,000, that represents the number of non-regular employees who were added to the existing pool of regular members following the new guidelines, there are a tremendous number of companies currently considering what to do next.

Depending on the company, everyone is currently exploring various approaches to this issue. For example, adding this packaged employee benefits service as an extra is a relatively "light" initiative, and while some companies are starting with such light measures first, others are looking to extend benefits like family allowances or corporate housing to non-regular employees as well.

Since this involves securing budgets, which takes a considerable amount of time, companies are exploring various options. While the pace and scale of these efforts vary, I believe that, in the medium term, most companies will move toward including non-regular employees in our services.

Masubuchi [Q]: So, does that mean the transition isn't fully complete yet, or rather that everyone didn't immediately jump on board in October?

Kawano [A]: Rather than a sudden influx in October, when organizations are planning projects with higher costs, as they say, they tend to go through the proper process of securing a budget, so I believe they are currently considering those aspects as well.

Masubuchi [Q]: Understood.

Next, I'd like to ask about the cost situation for the leased corporate housing program. In your earlier response, I believe you mentioned that the use of AI led to a cost reduction of about JPY70 million in H2 of the fiscal year, but I get the feeling that's about all there is to it. Does it look like the situation where costs remain high due to a large number of temporary and contract staff will continue in this H2 as well? What are your thoughts?

Kadota [A]: Thank you. For the current fiscal year, I believe we'll end up slightly behind target for this leased corporate housing business.

However, since we can cover that shortfall with other business segments, we believe the overall situation will be fine. I don't think the effort involved in raising rents, which I mentioned earlier, will suddenly disappear, so I'm taking a conservative view and expecting a negative impact in this fiscal year.

Masubuchi [Q]: I see. Next, regarding the relocation support business, as you mentioned back in Q1, brokerage of commercial real estate in North America was particularly strong and generated profits, but how is it this time? Could you provide some insight into how much profit has been generated excluding those factors?

Kadota [A]: Overall, cumulative profits are up 39%. However, Even excluding brokerage transactions involving entire buildings and similar properties, profit increased by slightly more than 20%. We also provide general

brokerage services for expatriates and support in various countries, and that segment is also showing significant growth.

Masubuchi [Q]: 20%, I see. But the number of households receiving relocation support hasn't really increased that much, has it?

Even so, it seems you've managed to increase profits by about 20% even when excluding real estate brokerage. Is this because, as you mentioned in your explanation, more people are using the other related services you offer?

Kadota [A]: Relo Redac is based in the US, so our target audience is expatriates assigned to North America.

Since this figure represents the total number of assignments, it includes not only those assigned to North America but also those assigned worldwide.

As for assignments to North America, they are by no means decreasing, in fact, they are increasing.

The reason the number of assignments doesn't appear to be growing much is that one specific company has slightly reduced the number of its assignees, and that has had an impact. On the other hand, other companies are increasing their numbers, so overall, there's a slight net increase.

Another factor is that for the companies that are increasing their numbers, visa-related services now account for a significantly larger share of the service mix.

In that sense, the product mix is gradually changing, shifting toward higher-margin offerings, which is also having an overall impact.

Masubuchi [M]: I understand. Thank you very much.

Kadota [M]: Thank you.

Yasuda [M]: Thank you for your question, Mr. Masubuchi.

Since there appear to be no further questions, we will now conclude the financial results briefing for Q2 of the fiscal year ending March 2027. Thank you very much for your attendance today.

Kadota [M]: Thank you very much.

[END]

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