This is an edited version of the English translation of the Q4 FY2023 earnings call which was conducted in Japanese. Please note there are differences between the simultaneous English audio translation during the Q&A session and this summary.

Recruit Holdings Q4 FY2023 Earnings Call
May 15, 2024

Mizuho: Welcome to the Recruit Holdings FY2023 earnings conference call.

This call is simultaneous translation of the original call in Japanese and translation is provided for the convenience of investors only.

I'm Mizuho Shen, group manager of Investor Relations and Public Relations and joining me today are,

Hisayuki Idekoba, Representative Director, President and CEO

Yoshihiro Kitamura, Managing Executive Officer, Matching & Solution Business

Junichi Arai, Executive Officer, Corporate Planning Division

The first 30 minutes at this call will be the Fireside Chat among the three participants and the latter half hour will be a QA session.

Please note that today's session, including the QA, will be posted on our IR website after the event.

Please refer to the full-year presentation video and slides, earnings release, and FAQ, available on our IR website.

Now I'll turn the call over to Jun.

Jun: I would like to start by asking Deko some questions.

Today, we disclosed the full-year financial guidance for FY2024.

Last fiscal year, we only provided the next quarter's guidance due to a lack of visibility. So this year, in May we disclosed the full year guidance. Please tell us the background that led to the decision to disclose full-year guidance of the year.

Deko: Due to unprecedented circumstances caused by the Covid-19, the unemployment rate in the US temporarily rose to 15%. During the recovery phase that followed, the job market experienced another unprecedented condition with job openings exceeding more than 12 million at one point. These are all things that we have never seen before.

As of this time last year, the number of job openings was expected to decline over the next two years, although the extent of this decline remained uncertain.

Despite the decrease in job openings, the unemployment rate in the US did not increase much, thanks to a low labor supply compared to past recessions.

As a result, many individuals were able to remain employed, softening the impact on the consumer sector, even amidst weak performance in the corporate sector.

Even now, while the overall economic outlook is still uncertain, as the likelihood of a short-term increase in the US labor supply is low, we believe it is unlikely that the unemployment rate will rise to 7 or 8%, or that the number of job openings will decline by another 3 million or more from this point forward.

Based on this outlook, we believe that the job market will shift to a relatively stable situation, allowing us to make reasonable forecasts for the full-year.

Jun: I have another question. In your presentation, disclosed at 3pm today, you mentioned "FY2024 = Year 0". Could you elaborate a bit more on what kind of year you expect it to be and tell us a bit about it ?

Deko: In more than 60 years of operating our business, we have experienced many economic downturns, and each time we have managed our business with a firm focus on improving efficiency.

We believe that we have been able to increase our revenue in the past by acting a bit early in the stages where the economy seems to be bottoming out, rather than starting to move after it has been confirmed that the economy has hit bottom.

Of course, It is very difficult to predict when the economy will pick up, but we believe that we are gradually entering the final phase of the economic cycle.

Having said that, of course, there is still a possibility that the economy will take another turn for the worse in the future, and the possibility may be high, but in any case,

I have used the term “year 0” in the sense that we are making firm preparations for efficient business operations and completing our operations for the bottoming out of the economy.

Jun: I see, so “year 0” in terms of preparation. I have another question for Deko regarding the HR Technology business. We disclosed adjusted EBITDA margin for HR Technology is to be 33% to 36% for FY2024.

If revenue turns to an upward YoY trend in the second half of FY2024, which is the basis of our guidance, and productivity is maintained through appropriate cost control under efficient business operations, then will margins increase further in FY2025 and beyond as the economic cycle recovers? Can we see a big improvement in margins going forward with the economic upturn? There may be people who have such a view. What will be your response regarding FY2025 and beyond?

Deko: Well, **t**he HR Matching market as a whole is very large, and there is significant potential for long term growth. So we believe it is still important to continue to increase our revenue. Therefore, we are not considering a management approach that merely focuses on increasing profit margins through downsizing or similar strategies.

Only 350 million monthly unique visitors worldwide are currently using Indeed, but we believe that we can continue to help many more people around the world find jobs in the future.

As a Recruit Group, while it is important to achieve high margins, we believe that our top priority is to consistently create new solutions and, as a result, increase the number of clients and users, as well as the number of actual hires. This will enable us to remain a growth-oriented company with sustained revenue growth. Thank you.

Jun: So with regards to the HR Technology business, based on your comments just now, How do you intend to manage the HR Technology business in the medium to long-term future? And also based on what you just shared with us,also, what do you feel you would like capital market participants to understand more deeply? What would you like them to remember? What is your message?

Deko: It is going to be the same as what I just mentioned. The most important thing to note is that we are committed to improving HR matching, which means we are simplifying hiring.

Looking ahead, we are confident that the next five to ten years will witness advancements in technology, especially with the introduction of AI, that will transform the job search experience into something completely different from what it is today.

If people are still struggling to find work 20 or even 50 years from now, then it will be because we did not do enough. It is our failure. Yes, it is our responsibility.

Of course, we can't guarantee happiness for everyone in the world but I believe that if we can make it easier for people to find work they are passionate about, then they will be more satisfied with their daily lives.

To achieve this, the entire Recruit Group intends to fully leverage data and technology including generative AI, while operating our business with a strong sense of responsibility, believing that only we can improve and evolve the global HR matching market. Thank you very much.

Jun: Next, let me turn to Kitamura-san.

FY2024 guidance for revenue in HR Solutions of Matching & Solutions is a decline of 10% to 23%. I think this is largely due to the shift of revenue to Indeed Japan through Indeed PLUS, but how fast or how much of the volume will actually migrate this fiscal year?

Also, can you share any recent progress on Indeed PLUS since the event in March?

Kitamura: First, regarding the revenue forecast, we expect that approximately 70 to 80% of revenue from the full-time and part-time job advertising services in HR Solutions will be transferred to Indeed Japan by the end of FY2024.

As for the progress of Indeed Plus, in March, we integrated four additional job sites into Indeed PLUS, bringing the total number of connected job boards on this platform to seven.

We have received many inquiries from job boards other than our own and we are preparing to collaborate with them and plan to expand Indeed PLUS gradually.

Jun: I am looking forward to it. I believe that HR Solutions of Matching & Solutions and HR Technology will work even more closely together in Japan from now on. Earlier, Deko mentioned in the presentation that it is essential to further strengthen the collaboration between the two businesses and to operate them in a unified manner.

What exactly will you focus on and how will you proceed with this collaboration?

Kitamura: Well, collaboration is a key word that is gaining a lot of attention. But that is not the purpose. That is not the goal. We believe that the most important thing is to provide an environment in which the employees engaged in both businesses are highly motivated to realize the evolution of the businesses.

At the same time, it is also important for the Group to further accelerate the evolution of the business to achieve greater efficiency.

So, taking these factors into consideration, we believe that by operating both businesses in an unified manner, we will be able to further evolve toward promoting "Simplify Hiring" in Japan, which is the second largest global HR Matching market after the US.

Regarding the future structure, it is currently under review, but we believe that from FY2025 onward, at least from a disclosure perspective, we will be able to report to capital market participants on the progress of this evolution as a single business segment.

Jun: Thank you. Now, talking about the Marketing Solutions. In the earlier presentation, Deko said that we will "aim for an adjusted EBITDA margin before allocation of overhead costs of 35% to 40% in Marketing Solutions in the mid-term".

Is this mainly due to an increase in revenue, or improved operational efficiency, or perhaps both? How do you arrive at this 35 to 40% number in adjusted EBITDA margin?

Kitamura: Well, to put it simply, I believe that both revenue growth and productivity improvements will have a positive impact.

We expect that the Housing & Real Estate and Beauty businesses will continue to be the largest contributors to revenue growth over the next several years. In addition, the Dining business, which diversified its billing model options under the COVID-19 pandemic, is also expected to contribute to revenue growth along with these two businesses.

Regarding SaaS solutions, we are currently in a phase focused on expanding the number of accounts and GPV primarily through AirPAY.

The primary goal of the Fintech services at the moment is to reduce the complexity of financial transactions for business clients. In the next stage, we plan to proceed carefully in determining the take rate from GPV, etc., while meeting legal requirements.

Therefore, we see potential in these areas, but we expect their contribution to be mid-term in terms of revenue.

Jun: So, looking forward to the many changes to come. What about initiatives to improve the operational efficiency of the business?

Kitamura: With respect to improving the productivity of our operations, over the next several years starting in FY2024, we will continue to make further efficiency improvements in terms of costs.

For example, for SG&A expenses, outsourcing expenses will be revised to an appropriate size, as they were expanded in preparation for the recovery period from the COVID-19 pandemic.

So they were investments to gain the market share in the period and they will be right sized. Also, advertising expenses are to be divided more strictly into two categories: investment-oriented expenses and cost-like expenses for the matching platform, and these are to be managed more efficiently.

There are endless numbers of these initiatives, but we believe reductions are possible from various perspectives like these. As a result of these efforts, we aim to manage performance targeting a margin before allocation of overhead costs of 35% to 40% in the mid-term.

Jun: So it's a multifaceted approach. There is the overhead cost with regards to Matching & Solutions, and how do we see the overhead costs going forward?

Kitamura: Overhead costs and shared expenses include the costs related to the core technology infrastructure renewal mentioned earlier, some outsourcing costs, and costs related to subsidiaries not belonging to any businesses. We expect these to be around 31.5 billion yen in FY2024.

These expenses are associated with functions and services provided to both Marketing Solutions and HR Solutions. So it's actually quite difficult to divide them up. Moving forward, we intend to appropriately allocate these costs and reduce them as we improve productivity along with the organization changes in the future.

Jun: I would also like to ask another question to Kitamura-san. You took a broad look at our operations in Japan, and we talked about HR Solutions. Are there any new initiatives you have already talked about at the event in March? Are there going to be any new initiatives in HR Solutions? What is the progress?

Kitamura: We are focused on increasing the number of job listings on Recruit Group’s platforms through AirWORK ATS and Indeed PLUS.

At the same time, our shift management service, AirSHIFT, is making shift vacancies visible from data about detailed times and work units.

By combining such data, we continue to develop matching services that can be used efficiently without increasing the workload on our business clients.

For example, recently there has been an increase in demand from both job seekers and companies for spot work that utilizes spare time, and in order to meet this demand, we are entering the spot work field by leveraging our proprietary Indeed PLUS technology.

We plan to launch such a feature on TownWORK in the fall of 2024, and will also launch a new dedicated job board at the same time.

Jun: Any updates on the SaaS business? Any news that you can tell us? Since the IR event that we held?

Kitamura: In response to the start of “digital wage payments” in April 2023, we launched our new payroll payment service, AirWORK Payroll.

Recently, we have started offering this service to our Group company Recruit Staffing, allowing approximately 40,000 temporary staff members working there to receive their wages in advance.

Also, currently Recruit MUFG Business is applying to become a fund transfer agent that handles digital payment of wages.

Once this is approved, our business clients will be able to pay wages through the payment brand COIN+ , and employees will have the option to receive their wages through COIN+ on the payment application, AirWALLET, in addition to their bank accounts.

We hope to expand our service offerings to a wide range of companies in the future.

Jun: Many things are happening then. Are there any other notable progress updates in Marketing Solutions?

Kitamura: Yes, since the IR event in March, Recruit points can now be used at 1 yen per point on the Amazon website. This has been well received by users as it expands the range of use of the Recruit points they have accumulated through the use of Recruit's services.

And we believe this will contribute to an increase in the number of individual user actions, which is one of our key KPIs.

We will continue to make efforts to provide more convenient services.

Jun: Looking forward to it. From here we will be taking questions from the analysts, but let me address one point before that.

In FY2023, we implemented shareholder returns of approximately 250 billion yen through dividends and share repurchases. Including dividends, the total shareholder payout ratio was 72%, which was the highest in the last three fiscal years.

The business continues to generate strong cash flow in spite of the uncertain economic environment, and interest-bearing debt is virtually zero, so the net cash and cash equivalents level was approximately 1.1 trillion yen at the end of March.

As we continue to improve operational efficiency and productivity, we believe that we also need to improve capital efficiency, as was mentioned in Deko’s presentation, on a consolidated basis in light of the current situation.

In accordance with our current capital allocation policy, taking into account the stable operation of the business as well as contingency plans,while paying a stable dividend and executing strategic M&A, if we have opportunities, we would like to proceed with shareholder returns using the share repurchase program as the main method.

As a listed company in Japan, we considered the time frame and feasible scale of such programs and came to the conclusion that it would be achievable and not interfere with our business operations to set a target of reducing the net cash and cash equivalents level to approximately 600 billion yen over the next two years.

While promoting capital efficiency through shareholder returns, we hope to gain the long-term support of our shareholders by being recognized by the capital markets as a global growth company. And we look forward to your continued support.

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Shen: Now we would like to proceed to the Q&A session with the media and analysts. If you have a question please click on the raise hand button. Once called upon, please unmute and state your question. In order to address as many questions as much as possible, please limit the number of questions to one each time. Thank you.

First from Nikkei Shimbun. Nishioka-san, please.

Nishioka: This is Nishioka from Nikkei Shimbun, thank you. So you have the full year guidance announced and we've heard about revenues and profits. I think there's a wide gap.

So when do you expect revenues to increase or when do you expect to decrease in profits? What are the different scenarios within the wide range? I would appreciate more explanation on this. Thank you.

Deko: Thank you. Regarding your question, I briefly talked about this earlier. But the economic cycle in the US, to what extent becomes worse, is key. We are seeing a deceleration or slowing down as we spoke.

And many economists, or even myself, also thought about this. We expected that the cycle would enter the recessionary stage earlier. This was our thinking last year.

However, the consumer side numbers remain strong. And as a result of that, from soft landing or to mild recession is the current expectation, at 15% probability of a hard landing is also a possibility.

So again, the COVID-19 pandemic was an event that happens once every 100 years and after that occurrence it is very difficult to predict where the economy will be.

In my presentation, I talked about this. We continue to expect the consumer numbers to deteriorate, the economic cycle to worsen or the number of job postings to continue to decrease. That is what we can say with certainty, but to what extent things will deteriorate?

Looking at GDP decline or other economic indicators and how they decline. The most difficult one is in the financial sector. The high interest rate has put high pressure or high stress. So debt related issues may occur. That is another possibility. But given these economic indicators and also the labor market, the HR markets are getting decoupled to some extent.

As I mentioned in my presentation, even though the job postings decreased by 3 million or so, still, the economy remains out of recession. On the contrary, we expect things to get somewhat more stabilized. But as I mentioned before, especially for the financial sector, something like black swan events could occur and if that happens, then we may see more of a recession.

So there is that downside. That is the expectation we take into account in our management and that is why we presented a rather wide gap. In any case for management, with the premise that the economy may take a downturn, we need to focus on improving operational efficiency.

That is our main goal for this year. So towards next year, we will complete our efforts on improving the operational efficiency. Things may get worse, but in any case this management policy will remain unchanged.

Nishioka: Thank you very much. So if I could elaborate, the base guidance is an improvement, higher revenue. But if the environment worsens, then you will be in the negative territory, is this correct?

Deko: Yes, basically, the top line fluctuates a lot, if there is a big downturn, then the cost in spite of efficiency efforts may not be enough and we could see lower profit.

Jun: If there's a delay in the recovery timing, as Deko mentioned, we will still prepare ourselves for year zero. And once we have more visibility in recovery, we will make new investments and we will start to increase advertising spend ahead of the recovery.

So even in the low range, we will need to make some investments in preparation and that would mean some lower margins. And this may be a bit detailed, but as Kitamura-san said, Indeed PLUS revenue will be shifting from Matching & Solutions to HR Technology, so this shift, or migration, does have a numerical impact. If revenue declines and some negative scenario materializes, we have to have the necessary expenses, so that would mean a lower profit.

Deko said, we have to be prepared for the worst, and this is the range that we have presented.

Nishioka: Understood, thank you very much.

Shen: JPMorgan Securities Mori-san, please.

Mori: Thank you for the explanation. We are limited to one question. So this was difficult, but I have a question about HR Technology.

I also wanted to ask some questions around M&S, but looking at specific periods, the HR Technology what are important events? I just wanted to confirm again with you.

I think I have a good understanding of the macro aspects, but looking at the business, what areas will be your focus, specifically for this year? In the March investor updates you mentioned a lot of things and Indeed Apply level will need to be increased.

Recently it has somewhat been stable at around 40-50%. And if you're going to increase this ratio, that means you need to add more added values. Are you going to focus on increasing this percentage? What will you do in order to reach a higher level?

And also yesterday you mentioned you talked about some reduction in workforce and improving operational efficiency is important for the year. So will that be your focus? And you also mentioned making thorough preparations for year one. Does that mean further improving efficiency or does it also entail something else?

So for the HR Technology business, what is your main focus? That is my question. Thank you.

Deko: Thank you very much. Simply put, we need to complete our efforts on improving efficiency. Our competitors are also presenting their numbers and we see that the US was quite a challenge for staffing as well. The numbers quite fluctuated as if they were in a recessionary stage.

So in this sense, in improving efficiency, what we consider to be most important, of course costs are an important area, but monetization, this also needs to improve in terms of efficiency.

As Mori-san mentioned, we need to also increase Indeed Apply, what we offer to clients, our solutions need to be higher in value and then we charge and we bill them accordingly. We need to increase the client's budget accordingly. And this is something we are working on on a daily basis by running various tests and we are starting to see good results out of these tests.

As the number of jobs increase in the US, we need to be ready by then, for the trend to take a positive turn. Including the organizational change, we need to be prepared so that we may act swiftly. So we need to bring these monetization efficiency tests to completion. And at this time, AI, particularly generative AI, is being incorporated into various aspects and these are bringing significant change.

We need to be ready to adapt to these changes and apply those changes to ourselves. And that is why we are implementing these organizational changes. When the trend changes we need to be ready and we need to make preparations for that. And in that sense, introducing further efficiency is important and I hope I answered your question.

Mori: Yes. Thank you. I have a follow up regarding Indeed Apply. Within this year, more than half or more will be operational, up and running, or are you intending to raise the ratio once the macro numbers recover?

Deko: It should be higher as part of our thinking as management, but the integration also happens with clients' costs. So when the economy worsens things may not move as fast. As we heard, we haven't seen much increase in the past year or two. But as numbers improve, hopefully this will also be reflected. Thank you.

Mori: Thank you very much.

Shen: Next Munakata-san from Goldman Sachs, please.

Munakata: This is Munakata from Goldman Sachs. Thank you for taking my question. It's difficult to choose one question but I'd like to ask about the Japanese market in terms of the HR market. Indeed PLUS and TownWORK Sukima, Japan's unique initiatives seem to have accelerated. So the importance of the Japanese market seems highlighted from what we see.

So how do you position the importance of the Japanese market? And over the past few years, have you changed the way you look at the Japanese market? Also, regarding the spot work service, there are already competitors. So as a latecomer in the spot work area, what do you think would be your uniqueness or your competitive edge in this area?

Deko: Kitamura-san, over to you.

Kitamura: Thank you for the question. Well, recently in the Japanese markets, HR Solutions in Matching & Solutions and HR Technology are collaborating across the organization. We have been promoting various initiatives with Indeed PLUS at the center, and I think this has been very visible to the public.

So in terms of this market, we do have a very high market share in Japan. And also as mentioned at the onset, Japan is the second largest market behind the US. And by promoting new initiatives, perhaps we can realize the creation of a new service in Japan that will be expanded globally to other markets. And this is how we have been promoting the collaboration.

So something that has been tried for the first time, or invented in Japan, can be adopted to the global markets. We have not had such an example in the past, but recently we have recognized this possibility. And that's why we're accelerating this. So have we changed our view on the Japanese market? To be frank? Yes. And we need to make an effort to change the Japanese market ourselves. So what we're doing in Japan can be expanded globally. And this is not just for HR Technology, but our Group as a whole.

Also, regarding spot work, initially we had three materials, or resources, to make the spot work business successful. One is AirSHIFT. So which shift is lacking?

That kind of corporate client information is available to us. And linked to that, there is a Shift Board for people who are part time workers. We have the application to manage the schedule of part time workers and this is linked to AirSHIFT. So on Shift Board, we also know the information of people who are available, but are not working at the moment. Also spot work is something that you receive immediate payment for after the work. And in order to provide that service you need to cash out first and then you send the invoice to the client. And so there is this cash conversion cycle. So we have the AirPAY service and we have liquid cash that is available for such an advance payment. So we have other strengths, but these are the three competitive strengths that we have identified. And also we have Indeed PLUS's unique matching system. So that even if we are a latecomer, we believe that we can provide a valuable service. I hope this answers your question.

Munakata: That's very clear. Thank you very much. It's very exciting to hear those initiatives. I'm looking forward to this and future updates.

Shen: Next is from Citigroup Securities, Yamamura-san please.

Yamamura: Thank you for the explanation. I am Yamamura from Citigroup. I have a question about cash allocation. Cash over 1 trillion yen down to 600 billion yen, that is the reduction that you're aiming. That is a significant amount. And basically shareholder returns will account for the majority of this based on the disclosed materials. M&A, which you suspended for the past few years will also be an option. So what is your priority? What balance should we consider for this? As for M&A, if you already have certain plans, any consideration, if so which areas in particular are you looking at and what is the background of what you consider to be issues or challenges that need to be addressed through such M&A?

Jun: Thank you. Deko first on M&A. Do you anticipate anything interesting to happen in this area?

Deko: Well as you know, the US has seen rapid change in interest rates from zero to five percent. Based on this change, IPO and M&A, for M&A in the private market, we are not seeing the numbers increasing as you are aware. On the other hand, looking at startups, how they are financing through rounds. Based on our data, HR tech startups over the past two years or more that have implemented new rounds of financing, the number is close to 200 startups, maybe more than 200 in some cases.

So in terms of activities, or conversations, our dialogue with startups and partnerships are increasing in number. But since we are talking about M&A, we want to be careful. If we rush into this, then the possibility of failures is also going to be higher. So we need to make sure that a company has solid technology, which also shares the vision with us. With such companies, we are having conversations but of course M&A must also consider the counterpart. Of course if we want to have some good results. So we are working on this.

Jun: So while working on this, at the same time, we will be promoting shareholder returns. So I will be focused on both, so allocating how much to which is not something we have, or we share with you. But as I said before, we have the capital allocation policy of the company and that states that we use funds first and foremost for the businesses. And that makes stable dividends. And then invest in promising M&A. And if we still have cash left, and considering our valuation, of course we will then implement share repurchases. That is the order and that order remains unchanged. So M&A and shareholder returns will both be sought. And then we aim to bring the net cash level down to our target level.

Yamamura: Thank you very much. That was clear.

Shen: Next question, BofA, Nagao-san please.

Nagao: I am Nagao from BofA. I have so many questions that it's very difficult to narrow down the questions. , But as Kitamura-san is participating, I'd like to ask about Marketing Solutions and HR Solutions regarding Indeed PLUS. So having a unified solution in putting that together with HR Technology.

The job board type,, that kind of an agency reorganization may be necessary in terms of the remuneration of the former Recruit, the ex-Recruit, people who love Recruit, But there seems to be some dissatisfaction on their side as well. But are you able to control that?

And then from Indeed, when the job advertisements, job posts, are sent, you need to make sure that there is no issue in terms of compliance. And that kind of an audit function needs to be added to Indeed in terms of the contents of the job postings. So is that really available in order to transition the business smoothly? I think you need some time to prepare. And so I would like to ask about the current status regarding the transition since this is a major turning point. I'm wondering if this will be a successful effort.

Kitamura: Well, thank you very much for your question. In the transition to Indeed PLUS we have agencies who have been our partners and also ourselves. We need to change the way we work. This has been the decision that has been reached. That we need to transform. And also in terms of the audit or screening of the job postings, we will be providing some people and we will be providing support in establishing this kind of an organization. And this ties in with what we talked about earlier regarding the financial numbers.

So at this time, we're not really pursuing a higher revenue than any other initiative, because we need to make sure that we are compliant with the law and we need to provide sufficient audit functions. So this year, we will be focusing on these efforts more and that is why the improvement in terms of the profits is limited.

Of course, we are used to what we have been doing in the past and continuing what we have been doing is one thing. But there are some changes that we can make to further improve the situation. So we have to look at the balance. And this is not just from the agencies but also from our internal employees. There are different views. Recruit is a very diverse organization. So there are people with different views.

But we believe that Simplify Hiring and supporting job seekers in finding work, where they can work with passion; we want to support such job seekers more than anything. And this is what we are committed to in the medium to long term. So we don't want to deviate from this goal. We want to work with everyone to make the service better. And as a result of that we believe that we can generate revenue and profits that are higher than what we have enjoyed in the past.

And creation of new value is essential. Or, in creating the future we don't see a future of delivering profit or growth without delivering new value. So this has been our focus.

Jun: What has been the feedback from the clients? f

Kitamura: We have received excellent feedback from the clients in terms of job application numbers and also regarding speed. In the past, they took two or three weeks to open up job postings. But now when companies require hiring, they are able to shorten that period and receive more applications from job seekers than in the past. So this is still early days, but over the past few months, we have received very strong feedback.

Deko: May I add to that? Well Recruit is a company that continuously challenges and transforms itself. So in the short term, perhaps doing what we have done before may be best. But now that Japan is facing a severe labor shortage and we know that this will become more aggravated as time goes by. And we have had various internal discussions and even though this is a big challenge, quite difficult, we wanted to create a solution to resolve this societal challenge.

This is a decision that we have made as a group. So this is not just open to Recruit’s job boards, but also other companies’ job boards. or other regions’ job boards. We want to work together with various partners in AI based matching. So in this sense, this is our challenge toward the future. And so, it may be quite tough, but we would like to work hard to make this successful.

Nagao: Thank you very much.

Shen: Moving on to the next question from CLSA Securities, Kato-san please.

Kato: Good afternoon. I am Kato from CLSA. I have one question. In March, during your Investors’ Day, you mentioned that you will have job offers to 100 million people by 2030 and 23 hires per minute is realized in FY2023, so what will be the number of hires per minute by 2030? And what are some of the factors that need to improve in order to reach that goal?

Jun: It's not that we have specific numbers. So rather than looking at numbers, we are focused on how we can make contributions to society and that is a benchmark that we are measuring against. We held last year and the year before,and again at the end of June or the beginning of July this year, we will have ESG fireside chat with myself and Sena. Rather than presenting the best case scenario and the worst case scenario, we would like to talk about what we will be working on towards that goal.

And coming back to what Deko said at the beginning, making everyone happy in the world. I think that that's where we want to go. What needs to happen in order to reach that state? That's something we have yet to get to see.

Deko: That is a difficult question.,When I was writing the future goal for Recruit in 2010 or 2011, I remember writing down 500 million users and then people laughed at that and everyone asked how I would achieve that.

What is the formula you're using to calculate that number and many other questions? But today we have 350 million users. We're still not there yet. But we are a company of continuous growth.

And we set ourselves a very ambitious target. We continue to run tests and we bring ourselves closer to achieving those goals. So I'm aware that this is not a satisfactory answer to your question. But I'm often engaged in similar conversations and I'd like to say that this is something that is not easy to calculate, but we are trying to reach and bring ourselves closer.

Kato: I see. Thank you very much.

Shen: Next question will be the last question. From Nomura Securities, Mr. Oum, please.

Oum: Thank you very much. This is Oum from Nomura Securities. I would like to ask about the take rate of Indeed US. In this year, what are the initiatives that we should focus on? For example there are connections to ATSs, Smart Sourcing or Indeed Flex, etc. So what will be the priority in terms of the contribution of the different initiatives in Indeed US?

Deko: We're testing different initiatives. And if I could highlight two of them.

So there are many jobs that are being posted, free of charge without a budget.There are job postings that have been posted for two, three years without any budget being allocated. And so we are testing and asking clients to pay for that job post after some time has passed. That is one.

And then, second is to provide the budget recommendation and to attach an explanation of why that budget should be spent, we are considering providing that in more detail. For example, for this job with this kind of an experience or this kind of a license is necessary, and our matching engine is very sophisticated. So the reason for the budget, we are able to provide a very detailed analysis, so this kind of budget recommendation is going to be quite interesting.

So that kind of explanation requires perhaps more evolution in generative AI and more technology will be necessary, but we will be working on different initiatives to improve the take rate. And this is something that we need to have the customer on board, we need to have them feel persuaded so that we can increase the take rate and the repeat rate as well. So of course, revenue is important but we also want to make sure that the client satisfaction remains high.

Oum: Thank you very much.

Shen: Thank you very much. So it is time to close. We would like to conclude the results call at this time. Thank you very much everyone for joining.

[END]

Forward-Looking Statements

This document contains forward-looking statements, which reflect the Company's assumptions and outlook for the future and estimates based on information available to the Company and the Company's plans and expectations as of the date of this document or other date indicated. There can be no assurance that the relevant forecasts and other forward-looking statements will be achieved.

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