**Recruit Holdings Q4 FY2023 Results Presentation**

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**Slide 01**

**Deko**: Hi, I'm Deko. We are pleased to announce our financial results for FY2023.

**Slide 02**

In FY2023, the number of job openings in the US continued to decline significantly, as we had anticipated.

This was the first time, since job openings have been tracked, that there was a reduction of more than 3 million job openings despite not being in a recession.

**Slide 03**

This is, of course, due to fluctuations in demand before and after Covid-19 pandemic, however, we believe that it is also associated with demographic changes in the US as well. In the US, the population is aging. As you can see in the chart, the working age population is not growing as strongly as it had been until around 2010.

Partially because of this, although there was a large drop in the number of job openings, the unemployment rate did not rise as much as in the past.

**Slide 04**

While revenue in the US declined in this environment, our global consolidated revenue for FY2023 was flat year on year. By prioritizing operational efficiency in anticipation of the worst economic downturn, adjusted EBITDA and net income reached record highs.

**Slide 05**

As I mentioned last year, we have always been dedicated to improving efficiency in every downturn. 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.

**Slide 06**

Of course, financial market stress is increasing under high interest rate conditions and economic uncertainties remain high. As I mentioned earlier, against the background that the supply of workers to the job market in the US is not increasing significantly as in the past, and even if a recession occurs, we believe that it is unlikely that the number of job openings will decline by another 3 million or so from the current level.

We assume that the number of job openings in the US will hit the bottom after decreasing for another 18 or 24 months.

**Slide 07**

In FY2024, we would like to operate in the "Year 0" of the economic cycle, in the sense that the decline in job demand may bottom out and the trend may turn up in the future. Of course, it is extremely difficult to predict when the economy will improve, and it is also possible that the economy will deteriorate further in the future.

However, we believe improving efficiency should not be done just as a recession countermeasure, with the goal of improving profit margins only.

Rather, we would like this year to be one in which we complete the transition to build a structure that will enable us to increase revenue with even greater speed when the decline in job demand bottoms out and the economy moves into a period of expansion.

As 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 hires. This will enable us to remain a growth-oriented company.

**Slide 08**

Now, let me talk a little more about how we can precisely improve the efficiency of our businesses.

**Slide 09**

In HR Technology, by improving the efficiency of monetization, which has been our focus in recent years, we hope to return to a positive year-on-year revenue trend in the second half of the fiscal year, even during a period of declining job openings.

**Slide 10**

In the HR market in Japan, we believe it is essential to further strengthen the collaboration between HR Technology and HR Solutions in Matching & Solutions, and to operate them in a unified manner.

First, through Indeed PLUS, the job board business of HR Solutions in Matching & Solutions will be transferred to HR Technology, and both will be operated more efficiently. Adjusted EBITDA margin for HR Solutions in Matching & Solutions in FY2023 was approximately 20.5% before allocation of corporate overhead costs (unaudited internal measure).

As the collaboration progresses, we expect there to be some additional costs.

However, in the mid-term, once the combined operation gets on track, we believe that we can improve the margin to a level that is not significantly different from the margin of HR Technology as a whole.

**Slide 11**

For Marketing Solutions of Matching & Solutions, we aim to achieve an adjusted EBITDA margin before allocation of corporate overhead costs of around 35% to 40% in the mid-term, by improving productivity.

**Slide 12**

In addition to improving operational efficiency, we also plan to further improve the efficiency of capital.

**Slide 13**

We have continued to manage our capital conservatively, anticipating the worst economic conditions, however, over the next two years, we aim to reduce our net cash and cash equivalents level to approximately 600 billion yen, through strategic business acquisitions and continuing to return value to shareholders mainly through share repurchases.

**Slide 14**

Here is a summary of what I have just discussed. While it remains unclear whether FY2025 will be “year 1” of the global economic recovery phase, we want to ensure we’re prepared for it. We hope that FY2024 will be the year to prepare for the economic expansion period while also being ready if there is a recession.

Now, Jun Arai will discuss the details of our consolidated and individual segment performance and outlook.

**Slide 15**

**Jun**: Thank you Deko.

I'm Jun Arai. I will start with a review of the FY2023 consolidated results and FY2024 annual guidance, followed by the results and outlook for each segment.

**Slide 16**

The FY2023 consolidated revenue slightly exceeded the full year guidance announced in February. It decreased 0.4% to 3.4 trillion yen, and by region, revenue was 939 billion yen in the US, 1.59 trillion yen in Japan, and 886 billion yen in other regions including Europe and Australia.

Adjusted EBITDA increased 9.8% to 598.3 billion yen, a record high, exceeding the outlook of 585 billion yen announced in February and adjusted EBITDA margin was 17.5%.

Operating income increased to 402.5 billion yen, also a record high, despite one-time charges in each segment.

Profit attributable to owners of the parent increased 31.1% to 353.6 billion yen, another record high.

Basic EPS increased 34.0% to 225.99 yen, and adjusted EPS increased 20.9% to 241.11 yen.

The per share dividend amount is 11.5 yen for the second half and 23 yen for the full year.

ROE was 19.5%. Total amount of dividends and share repurchases was 254.6 billion yen for a total payout ratio of 72.0%.

**Slide 18**

Regarding the consolidated balance sheet as of March 31, 2024, net cash increased to 1.13 trillion yen and net assets were 2.0 trillion yen, after expending cash for share repurchases but substantially impacted by exchange rate fluctuations.

**Slide 19**

The number of issued shares as of March 31, 2024 was approximately 1.65 billion shares after the retirement of 46 million shares on March 29, which is equal to the number of shares repurchased during the fiscal year through March 15 through the several share repurchase programs executed in FY2023.

The number of shares held as treasury stock as of March 31, 2024 was 105 million shares.

After excluding 54 million shares held in the Board Incentive Plan trust and the Employee Stock Ownership Plan trust, the number of shares held as treasury stock was 50 million shares or 3.1% of the issued shares.

Through the end of April, through the ongoing share repurchase program, we have repurchased approximately 23.7 million shares, equal to approximately 73% of the maximum total purchase price of 200 billion yen.

The total number of shares held by Japanese business shareholders who were pre-IPO shareholders has been reduced to below 9% of the issued shares excluding treasury stock.

**Slide 21**

Regarding guidance, although we provided the outlook quarterly in FY2023 due to the uncertainty in the macro economic environment, for FY2024 we are providing full-year guidance in ranges.

Our foreign exchange rate assumptions for FY2024 are 145 yen per US dollar, 158 yen per Euro, and 98 yen per Australian dollar.

Based upon the outlook of each segment, consolidated revenue is expected to be in a range of 3.3 to 3.5 trillion yen which is equal to a decrease of 3.4% to an increase of 2.4%.

We expect adjusted EBITDA to be in a range of 570 to 675 billion yen, equal to a decrease of 4.7% to an increase of 12.8% and adjusted EBITDA margin to be in a range of 17.3% to 19.3%.

**Slide 22**

Operating income is expected to be in a range of 390 to 500 billion yen, equal to a decrease of 3.1% to an increase of 24.2%.

Profit attributable to owners of the parent is expected to be in a range of 315 to 400 billion yen, equal to a decrease of 10.9% to an increase of 13.1%.

Basic EPS is expected to be in a range of 206 to 260 yen, equal to a decrease of 8.8% to an increase of 15.0%.

We expect the per share dividend amount to be 12 yen for the first and second half and 24 yen for the full year.

Next, I will explain the results and outlook of each segment.

**Slide 23**

US dollar revenue for HR Technology for FY2023 was approximately 7.0 billion dollars, a decrease of 15.0%, slightly above our February outlook of a decrease of approximately 15.5%.

On a constant currency basis, revenue decreased 15.2%.

By region, revenue in the US decreased 19.3% to 4.84 billion dollars. Revenue outside the US decreased 3.5% to 2.16 billion dollars of which Japan accounted for 500 million dollars. (Revenue in Japan is an unaudited internal measure).

In the US, while total job postings, which include both free and paid ads, continued to decrease, at the same time, in light of the changing business environment, we significantly reduced operational costs including promotion and advertising expenses and strictly controlled hiring.

In FY2023, the total amount of sales commission, promotion expenses and advertising expenses were approximately 11% of revenue. Employee benefit expenses and service outsourcing expenses totaled approximately 52% of revenue.

Adjusted EBITDA was 344.3 billion yen, and adjusted EBITDA margin was 34.0%, in line with the outlook announced in February.

As for the FY2024 outlook, revenue on a US dollar basis is expected to be in a range from flat to an increase of 9.5%.

Revenue in the US is expected to be in a range from a decrease of 7% to an increase of 5%, revenue in Japan is expected to increase around 70% as revenue partially transfers from HR Solutions in Matching & Solutions due to Indeed PLUS, and revenue in Rest of World is expected to increase around 2%.

On a Japanese yen basis, revenue is expected to increase 0.6% to 10.1%.

Earlier this week, in the HR Technology business, Indeed announced a reduction of approximately 1,000 employees, or approximately 8% of its workforce. The primary purpose of this reduction is to simplify the organizational structure to make it easier and faster to make decisions and execute the Simplify Hiring strategy.

The estimated cost savings to be realized through this action is expected to be approximately 255 million dollars for approximately 10 months during FY2024.

The total amount of share-based compensation in FY2024 is expected to be approximately 550 million dollars.

Adjusted EBITDA margin is expected to be in a range of 33% to 36%.

And approximately 85 million dollars related to the workforce reduction will be charged as one-off restructuring costs in Q1.

**Slide 24**

Revenue in HR Solutions in FY2023 increased 2.5% to 305.0 billion yen despite the continued decline in revenue in the job advertising service since Q2.

Adjusted EBITDA margin for HR Solutions before allocation of corporate overhead costs was approximately 20.5%, significantly increasing from approximately 12% in FY2022, and adjusted EBITDA was approximately 62.6 billion yen.

Regarding the outlook for FY2024, based upon the assumption that Japan's economic environment will be similar to FY2023 and will not deteriorate significantly,revenue in the placement service is expected to increase.

Revenue in HR Solutions in total, however, is expected to decrease in a range from 10% to 23% as revenue in the job advertising service continues to shift to Indeed in Japan, related to the integration with Indeed PLUS.

Before allocation of corporate overhead costs, adjusted EBITDA margin for HR Solutions is expected to be approximately 16% to 19% due to the impact of Indeed PLUS.

We expect to unify the operations of HR Solutions of Matching & Solutions and HR Technology in order to efficiently accelerate the transformation of the HR matching business in Japan into an HR technology business.

Starting from FY2025 onward, we are considering combining HR Solutions in Matching & Solutions with HR Technology in a single reporting segment, allowing us to more effectively show the progress and evolution of the business to capital market participants.

**Slide 25**

In Marketing Solutions, as in the first half of the year, revenue in the total of Beauty, Travel, and Dining, where the value added by SaaS solutions is most likely to be reflected, combined with SaaS solutions, accounted for approximately 50% of revenue in Marketing Solutions, and increased approximately 15% to approximately 246.9 billion yen primarily due to a revenue increases in Travel and Beauty.

Housing & Real Estate is the largest vertical in Marketing Solutions and revenue increased approximately 5% to approximately 143.6 billion yen accounting for approximately 29% of Marketing Solutions.

Others including Car, Education, Bridal and others accounted for approximately 21% of revenue in Marketing Solutions (Revenue figures for each vertical are unaudited internal measures).

As a result, revenue in Marketing Solutions increased 9.0% to 492.4 billion yen.

Regarding the three KPIs most important to our “Help Businesses Work Smarter” strategy, the number of actions was approximately 480 million, the cumulative number of registered SaaS accounts increased to approximately 3.7 million due to growth of new business clients as of March 31, 2024, and gross payment volume in FY2023 increased to approximately 1.8 trillion yen.

As all KPIs increased, we believe that we are making progress towards our goal of creating an ecosystem in Japan.

Adjusted EBITDA margin for Marketing Solutions before allocating corporate overhead costs was approximately 28%, an increase from approximately 25% in FY2022, and adjusted EBITDA was approximately 138 billion yen as we executed cost control measures (Adjusted EBITDA margin in HR Solutions and Marketing Solutions are unaudited internal measures).

In FY2024, revenue in Marketing Solutions is expected to increase in a range from 1.5% to 9.0% driven by a solid recovery and growth of the market post pandemic especially in Beauty, Dining, and Housing & Real Estate.

Adjusted EBITDA margin for Marketing Solutions before allocating corporate overhead costs is expected to be in a range from approximately 29% to 31% as we focus on improving efficiency while continuing to invest in SaaS solutions.

**Slide 26**

For Matching & Solutions segment, revenue in FY2023 increased 6.2% to 807.8 billion yen.

The total amount of sales commission, promotion expenses and advertising expenses were approximately 23% of revenue. Employee benefit expenses and service outsourcing expenses totaled approximately 40% of revenue.

Adjusted EBITDA for Others and Eliminations was approximately negative 37 billion yen.

Adjusted EBITDA margin for the segment improved significantly from 14.4% in FY2022 to 20.3% in FY2023 and adjusted EBITDA increased to 163.6 billion yen. This improvement was a result of cost controls and an agile investment approach based upon the financial situation, allowing for quick responses to an uncertain business environment.

For FY2024, Matching & Solutions revenue is expected to be in a range from a decrease of 7.7% to an increase of 1.8%, and adjusted EBITDA margin including Others and Eliminations is expected to be 20% to 23%. In the event of any sudden changes in the environment, we are prepared to respond flexibly.

**Slide 27**

Revenue in Staffing for FY2023 was 1.63 trillion yen, an increase of 3.1%.

For Japan, revenue increased 9.9% to 751.6 billion yen, driven by an increase in the number of temporary staff on assignment due to increased demand.

Revenues in Europe, US, and Australia, were 442.5 billion yen, 244.0 billion yen, and 196.0 billion yen respectively, a decrease of 2.1% in total or 9.2% on a constant currency basis, as demand for staffing services continued to slow down against a backdrop of an uncertain economic outlook.

Adjusted EBITDA margin was 6.0% and adjusted EBITDA decreased 4.2% to 97.9 billion yen.

Revenue in FY2024 for Staffing is expected to increase in a range from 0.1% to 0.9%.

Revenue in Japan is expected to increase approximately 5%, based upon the assumption that there will be no rapid change in the economic environment.

For Europe, US and Australia, we expect revenue to decrease in a range from 2.5% to 4% as the outlook of the labor market environment in Europe and the US and its impact to the Staffing business is still uncertain.

We aim to maintain a 5.5% to 6% adjusted EBITDA margin as we continue to operate efficiently.

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Finally, let’s discuss capital allocation.

As Deko mentioned earlier, while continuing to further our business growth strategy, continuing to pay stable dividends in accordance with our capital allocation policy, and with a focus on strategic M&A and further shareholder returns, we aim to reduce net cash, or cash and cash equivalents less debt, to approximately 600 billion yen by end of March 2026.

This is expected to result in maintaining or increasing ROE and total payout ratio.

As we step forward with our growth strategy as a global technology company, we are grateful for the understanding and support of our shareholders, capital market participants, and all of our stakeholders.

This concludes my presentation.

Thank you very much.

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**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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