**Recruit Holdings Q3 FY2020 Earnings Call February 15, 2021**

**Shen:** Welcome to the Recruit Holdings earnings conference call for third quarter of FY2020. I am Shen from IR, and I will serve as moderator.

Today, we have Junichi Arai, Executive Officer of Capital Market Strategies, and Yasushi Hashimoto, Executive Manager, Disclosure and Individual Investor Relations Department.

We will explain the financial results, and take questions later. This is a simultaneous translation of the original call in Japanese, and translation is provided for the convenience of investors only.

Arai-san, please.

**Arai:** Thank you for your participation today. I am Junichi Arai, Executive Officer of Capital Market Strategy of Recruit Holdings.

The global spread of COVID-19 and measures to help prevent the spread have a broad impact on our global business Group’s performance. Our main priority is still ensuring the safety of our employees and our families, as well as individual users, business clients, and partners, while preventing the spread of COVID-19.

I will begin with the recent developments that we implemented and announced after the Q2 results announcement.

On November 30, 2020, the Board of Directors resolved to conduct a secondary offering of approximately 100 million shares of common stock in total by eight long-term partner shareholders. After the distribution of the prospectus, marketing, and pricing, the transaction was completed on December 25th. The purpose of the offering was to address the concern regarding the impact on our stock price from potential uncoordinated sales of shares by multiple shareholders.

Through this offering process, via underwriting securities companies, we have addressed this concern, and we are pleased to announce that more global institutional investors were able to hold a larger volume of our shares.

In addition, in condition of the supply and demand of shares in the aftermarket, following the secondary offering, and enhancing shareholder value, the Board of Directors also resolved to implement a share repurchase program after the secondary offering. As of January 31, 2021, we have completed share repurchase totaling approximately 70% of maximum total purchase amount of JPY70 billion. We intend to purchase the remaining amount, approximately JPY23 billion, by February 26th.

Also, on January 13th this year, we announced that Hisayuki Idekoba, who is known as Deko, and is currently the Executive Vice President, COO, and Director of the Board, has been appointed as President, CEO, and Representative Director of the Board, effective April 1st. Masumi Minegishi, currently President, and CEO, and Representative Director of the Board, will become Chairperson and Representative Director of the Board, effective April 1st.

Today, we have announced a new leadership structure. Deko, CEO, from April 1st, will also become the Head of the Corporate Planning Division. In this role, he will lead and execute strategic actions to support mid to long-term group strategies while building the trust and support from shareholders and various stakeholders.

In addition, Ayano Senaha, who will be appointed to the role of COO, will lead the administrative functions and strengthen our group’s corporate governance.
To reiterate, even in such an uncertain business environment, we are executing on our mid to long-term business strategies without hesitation, aim to become the global leader in HR matching, which spans the large online job advertising, placement, and search and temporary staffing markets with the HR Technology Segment at the core, and improve productivity of clients' business through SaaS solutions, with a focus on Air Business Tools in Japan.

To that end, we will continue to aggressively invest for growth while always carefully considering timing and scale.

During our Q2 results announcement, we provided consolidated financial guidance for the fiscal year ending March 2021 and SBU financial guidance for the second half of FY2020, assuming the business environment would not deteriorate significantly throughout the second half of the fiscal year.

Based on business performance in Q3, which improved compared to Q2, despite the continued impact of COVID-19, today, we announced that we have revised the previous guidance for FY2020 to reflect Q3 results in our outlook for Q4. Despite the continued rebound of recruiting and hiring activity in Q3, we expect the global HR matching market's recovery and stabilization will be gradual and uneven. In addition, due to the daily changes in the business environment as regulations are relaxed and reintroduced, the outlook remains uncertain.

We have already disclosed our revised financial guidance in the financial statements and FAQ. But I will explain it together with the Q3 results. Please refer to the detailed charts in questions one, two, and four in the FAQs on the IR website while listening to my presentation.

Now, I will talk about the consolidated results of operations for Q3, FY2020. Consolidated revenue increased by 0.5%. Excluding the revenue from the Rent Assistance Program by the Small and Medium Enterprise Agency of the Ministry of Economy in Japan, consolidated revenue decreased 4.5%. Compared to Q2, consolidated revenue in Q3 increased by 7.5% and 7.7%, excluding revenue from Rent Assistance Program. The global spread of COVID-19 and measures to help prevent the spread had a broad impact on business performance, while the business environment gradually improved compared to Q2.

I will walk you through the SBU details later.

Our target management KPIs are adjusted EBITDA and adjusted EPS. Consolidated adjusted EBITDA decreased by 5.0% in Q3 YoY, and adjusted EPS decreased by 4.9%. Compared to Q2, adjusted EBITDA in Q3 increased by 25% and adjusted EPS increased by 39.4%.

Also, in the face of significant uncertainty, we continued to actively control costs in Q3, resulting in a decrease in SG&A expenses of JPY16.8 billion YoY. Advertising expenses decreased YoY in Q3. However, compared to Q2, we continued to ramp up advertising across all our businesses to drive future growth.

Next, I will talk about the revised consolidated financial guidance, which we disclosed today. We have provided the financial guidance, which is based on the following exchange rate assumptions: JPY107 per US dollar; JPY121 per euro; and JPY74 per Australian dollar.

Consolidated revenue for the second half of FY2020 is expected to be JPY1.18 trillion, a decrease of 1.5% YoY; and is expected to be JPY2.22 trillion, a decrease of 7.3% YoY for FY2020.

Consolidated adjusted EBITDA for the second half of FY2020 is expected to be JPY108.5 billion, a decrease of 26.4% YoY; and is expected to be JPY231.9 billion, a decrease of 28.7% YoY for FY2020.

Adjusted EPS for FY2020 is expected to be JPY77.08, a decrease of 36.3% YoY. No change in the dividend forecast.

Next, I will talk about the results of operations and financial guidance by segment. Revenue in HR Technology in Q3 continued to recover ahead of our expectations, increasing 8.8% YoY on a US dollar basis to USD1.095 billion, which was a record quarter for the SBU. Compared to Q2, revenue in Q3 increased by 12.6% on a US
dollar basis. During Q3, restrictions and measures put in place in each country to limit the spread of COVID-19 remained in effect or were reimposed in certain markets.

However, many businesses reopened, new businesses were created, and other extended their operations to meet shifts in customer demand. This supported a continued rebound of recruiting and hiring activity and improving revenue trends, particularly in the US, and especially among SMEs.

We also supported significant hiring among a few very large companies in ecommerce, logistics, and delivery services to meet seasonal demand and in response to the shift in demand for online goods and services, which had been accelerated by the pandemic.

However, during Q3, many businesses in the most impacted sectors were still struggling and not operating at full capacity, and many larger enterprises have been slower to start hiring again in this environment.

Outside of the US, conditions are mixed and remain challenging in certain countries such as Japan, where the recent state of emergency was extended through early March. Additionally, in Q3, job seeker activity was dampened by the ongoing COVID-19 pandemic, in addition to regular seasonal declines at the end of the calendar year.

As mentioned earlier, while our revenue has been resilient to the recent lockdowns and other government measures to slow the spread of COVID-19, the continued elevated level of cases poses a risk to our continued rebound and growth.

Adjusted EBITDA increased by 40.0% YoY due to the increase in revenue, and adjusted EBITDA margin was 23.4%. Compared to Q2, adjusted EBITDA in Q3 increased by 81.4%.

As revenue trends continued to improve faster than expected, HR Technology increased marketing investments compared to Q2 of FY2020, and continued to resume hiring of engineers and technical employees to drive product enhancements to improve the job seeker experience and dramatically simplify recruiting processes for employers.

Due to the uncertain economic environment, HR Technology continued to be conservative in making those investments. As a result, Q3 FY2020 adjusted EBITDA margin was higher YoY and QoQ. For the second half of FY2020, HR Technology's revenue on a US dollar basis is expected to increase approximately 11% YoY, which has been revised upward, as the positive trends in Q3 are expected to continue in Q4, assuming the business environment does not deteriorate significantly.

In Q4, although many markets and industries continue to be impacted, we are accelerating investments to drive growth in order to best position ourselves for a post-COVID environment. As a result, we expect a lower adjusted EBITDA margin in Q4 compared to Q3, and therefore, adjusted EBITDA margin for the second half fiscal 2020 is expected to be in the high teens.

Next, I will talk about the results of Media & Solutions. Revenue for Q3 increased by 1.1%. Excluding the impact of the Rent Assistance Program, revenue decreased 15.5% YoY. Compared to Q2, revenue in Q3 increased by 8.1% and 9.0%, excluding revenue from the Rent Assistance Program, respectively. Mainly due to decline in HR Solutions, adjusted EBITDA declined by 25.2% YoY, and adjusted EBITDA margin was 20.2%. Compared to Q2, adjusted EBITDA in Q3 increased by 10.3%.

In anticipation of a revenue recovery in the next fiscal year, Media & Solutions will continue to actively invest in Q4, paying close attention to the situation, while continuing to reduce costs such as overall advertising expenses. And therefore, adjusted EBITDA margin for the second half for Media & Solutions is expected to be around 12%.

I will discuss Marketing Solutions and HR Solutions separately.

Revenue in Marketing Solutions in Q3 increased by 22.8% YoY. Excluding JPY30.6 billion of the Rent Assistance Program, which is included in Others, revenues declined by 5.2% YoY. Compared to Q2, revenue in Q3 increased 8.4% and 9.8%, excluding revenue from the Rent Assistance Program, respectively. In Q2,
In Housing, and Real Estate, and in Beauty, revenue continued to increase YoY from Q2. Bridal and Dining continued to experience COVID-19-related headwinds, and YoY revenue declines continued in Q3.

During the Go To Eat campaign, which was launched in October 1, 2020, and which has broadly suspended issuing new vouchers since December, the number of people making online reservations on Hot Pepper Gourmet increased rapidly. However, since Hot Pepper Gourmet mainly charges for advertising, the impact of the rapid increase in the number of reservations on revenue in Dining was limited.

Adjusted EBITDA in Marketing Solutions decreased 1.1% YoY, and adjusted EBITDA margin was 26.6%. Marketing Solutions continued to manage its operating expenses strategically and flexibly, such as by reducing advertising expenses, while targeting marketing investments to businesses where revenue is recovering.

Despite the challenging business environment, we continue to see strong demand for Air BusinessTools. Individual users' preference for contactless payments supported further demand for AirPAY accounts, which continued to grow steadily to approximately 187,000 at the end of December 2020, an increase of 42.6% YoY. AirPAY offers one of the lowest levels of transaction fees in the industry and currently supports 35 types of payment methods.

An example of a new area of growth for Air BusinessTools during the spread of COVID-19 is AirRESERVE, a web service that simplifies reservation management. AirRESERVE is a cloud-based system that allows centralized management of all reservations, including those made by phone, online, or in person at the business location. By changing reservation management from paper based to the cloud, availability can be checked at a glance.

AirRESERVE has recently begun to be widely adopted as a measure to alleviate crowding at locations across a variety of industries and business categories, including major banks, hospitals, and department stores, in addition to SMEs and individual stores, which make up the majority of Air BusinessTools' current clients.

In Q4, Media & Solutions continues to actively invest, with the aim of increasing the number of accounts in the next fiscal year and beyond. Through a long history of our media businesses, we have developed a deep understanding of our Japanese clients' businesses and the issues that they face, and we have cultivated the ability to create solutions to resolve these issues. We believe that the ability to discover what will most improve and enhance the operation efficiency of each industry and business client is essential for expanding our position in the domestic business SaaS market in the future.

In addition, as for Study Sapuri, there has been an increase in adoption by local governments and schools, with the promotion of information and communication technology utilization in schools as part of the GIGA Program initiated by the Ministry of Education, Culture, Sports, Science and Technology. The number of paid users for Study Sapuri was up 106.4% YoY to 1.57 million as of December 31, 2020.

With regards to our outlook for the second half of the year, in Q4, Beauty is expected to continue to remain strong. Revenue of Travel is expected to return to YoY declines, primarily due to the temporary suspension of the Go To Travel campaign. The challenging business environment is expected to continue for both Bridal and Dining. Housing and Real Estate has performed steadily in Q2 and Q3. However, its performance is expected to be weaker in Q4, as the number of properties which are available for sale has been decreasing. For the second half, revenue for Marketing Solutions, excluding the Rent Assistance Program, is expected to decrease approximately 11% YoY.

In HR Solutions, revenue in Q3 decreased by 30.1% YoY. Compared to Q2, revenue in Q3 increased 7.3%. This was due to continued sluggish hiring demand from business clients in response to the spread of
COVID-19. In particular, for the part-time job boards operated in HR Solutions, revenue declined YoY, as it had in Q2, while showing signs of a gradual recovery.

The placement business operates on a pay-per-hire model in which revenue is recognized when a candidate is hired by a business client. As a result, revenue from the placement business in Q3 declined YoY due to reduced hiring demand in the first half of FY2020.

Adjusted EBITDA in HR Solutions decreased 57.7% YoY due to decreased revenue, and adjusted EBITDA margin was 16.0%.

In HR Solutions, we continued to manage costs while partially resuming marketing investments in certain areas in anticipation of future hiring demand. For the second-half revenue guidance, even though the part-time job boards have seen recent signs of recovery, hiring demand, especially in Dining clients, is expected to decrease in Q4, mainly because of the state of emergency in Japan.

The placement service has also seen recent signs of gradual recovery, but revenue from recovered demand is expected to be recognized sometime in next fiscal year. Therefore, at this time, revenue is expected to decrease approximately 28% YoY for HR Solutions.

In Q4, we continue to invest actively in areas where we see the greatest opportunity and effectiveness in order to increase revenue in the next fiscal year.

Next, I will talk about the results of Staffing.

Revenue in Q3 decreased 1.2% YoY, a 1.7% decrease excluding the positive impacts of foreign exchange. Compared to Q2, revenue in Q3 increased 6.1%.

Adjusted EBITDA increased 3.0% YoY and adjusted EBITDA margin of 7.8%. Compared to Q2, adjusted EBITDA in Q3 increased by 10.5%. For the second half, revenue for both Japan operations and Overseas operations are expected to decline YoY. While generally continuing cost-control measures, adjusted EBITDA margin is expected to be approximately 5%. This is mainly due to the expected decline in revenue and increase in the expense to improve remote work environments and an increase in advertising expenses to attract temporary staff and business clients mainly in Japan.

I will explain Q3 results for Japan operations and Overseas operations separately.

Revenue in Japan operations in Q3 decreased by 2.6% YoY. Compared to Q2, revenue in Q3 increased 2.8%. Although billing prices increased following the implementation of the equal pay for equal work regulations beginning April 1, 2020, the number of temporary staff in Q3 decreased YoY due to persistently lower demand for new orders amid the economic uncertainty caused by the spread of COVID-19.

For the second half, revenue for Japan operations is expected to decrease approximately 2.5% YoY, mainly due to weaker demand for new orders during this fiscal year. Adjusted EBITDA for Japan operations in Q3 increased 3.3% YoY and adjusted EBITDA margin was 9.9%. While continuing to monitor costs in relation to labor market supply and demand, this improvement was mainly due to ongoing cost control measures.

Next is Overseas operations.

Revenue in Q3 increased 0.1% YoY, a 1.0% decrease, excluding the positive impacts of foreign exchange. Compared to Q2, revenue in Q3 increased by 8.9%. Despite continued restrictions on some business clients' operations in order to mitigate the spread of COVID-19, the business was favorable compared to Q2 supported by strong revenue growth in certain industries, in particular, logistics, health care and others, that have seen COVID-19-related demand. For the second half, revenue for Overseas operations is expected to decrease approximately 1.5%.

Adjusted EBITDA for Q3 increased 2.5% YoY and adjusted EBITDA margin was 6.1%. Even in an uncertain global economic environment, Overseas operations maintained a positive adjusted EBITDA margin by taking
prompt and appropriate actions in response to labor market trends and government programs in each overseas market and through ongoing cost-control initiatives.

That concludes my explanation of the financial performance by segment.

We will continue to pay close attention to domestic and international trends and their impact, and aim to achieve our business strategy from a mid to long-term perspective rather than a short-term perspective.

We are grateful for the understanding and support of our shareholders, other capital market participants, and all of our stakeholders.

Please refer to the earnings release and the materials on our website, as appropriate, which include the contents of today's presentation.

Question & Answer

Shen: Now we would like to proceed to the Q&A session. For participants on the English line, please email your questions to the IR address, Recruit_HD_IR@r.recruit.co.jp provided in the invitation email.

From Mizuho Securities, Mr. Kishimoto, please?

Kishimoto: Yes, this is Kishimoto from Mizuho Securities. Thank you very much for the explanation. Number five of the FAQs is my question. For third quarter, you gave us a split of the region-by-region and by large company and SMEs. From third to fourth quarter, especially fourth quarter, are there any changes in the trend of the SMEs and large companies and by industry? On a regional basis especially for, I think it's mainly North America, but for other regions as well, are there any-noteworthy trends? Thank you very much.

Company Representative: Thank you for the question. So, roughly speaking, we usually do not disclose the breakdown, but as I mentioned earlier, the hiring and HR, mobility is by far the largest in the US. So, under this kind of circumstances, the US business demand, especially the demand for our services, was reflected in our third-quarter results. Last time, the seasonal demand in the second quarter was seen and we talked about we'll have to see what will happen in January and onward. But large companies' demand, like I said earlier, we are meeting the demand from the large companies and at the same time, these SMEs that are launching new businesses and the ones that used our service and came back to use our service again, this trend is continuing.

So we are serving the large customers as well as SME clients and meet their business recovery. So this is where we are. So, to repeat myself, mainly in the North America is driving/leading the results of this quarter.

Kishimoto: I understand. Just one additional question. So the clients that you acquired this quarter, we can expect they will continue using it? They will become repeaters, so we can expect them to stay with you in the next term, next year?

Company Representative: As the business model, they use our service and acquire customers and then they come back. Especially the SMEs are like that. And so the clients who left us temporarily are coming back. So, once the economic situation turns around, we think they will spend money with us and use our service to hire more people and pay more fee to us to hire more.

Kishimoto: Thank you very much.

Shen: Thank you. From SMBC Nikko Securities, Mr. Maeda, please.

Maeda: Thank you. Regarding the Overseas operations, Overseas Staffing, I see that the third quarter has made a great recovery. And you mentioned the logistics demand was quite large. Is it the same for overall Staffing industry? Or is it particularly for your staffing business? We're not following other companies, so we
are not sure about the share, but have you seen increase in your share? Relative to others, are there any changes that you are observing?

And to the extent possible, would you give us an update by region?

**Company Representative:** Well, the environment is changing, so when we think things are getting better, we see that lockdowns have been introduced, so it's difficult to say whether overall it's good or bad. In addition, compared to other players, because it's unclear to what extent the market has expanded or if the market has recovered, there are no statistics available. So it's difficult to say what the environment looks like as of today. On the other hand, there is new demand and we have been able to capture demand. So, what we expected in November, compared to our expectations then, sales didn’t drop. Compared to the previous year, it was smaller.

At the same time, as we have been saying since two years ago, before the emergence of COVID-19 situation, for operations in overseas, particularly in Europe, the operation has been streamlined from the systems perspective. And we believe our initiatives then have proven effective for the current results. Whether we continue to see the same trends in the fourth quarter, it's difficult to say. But compared to our announcements before, the revenue decrease range in Overseas operations has been smaller. But we continue to be cautious as to the future outlook. Thank you very much.

**Shen:** Thank you. So next, Nomura Securities, Mr. Nagao, please.

**Nagao:** This is Nagao speaking from Nomura Securities. So this is the Marketing Solutions. Among the management, Bridal, Travel, and Dining, do you think they will basically come back when COVID subsides, or do you think there will be changes in the customers, consumers, their behavioral changes? So do you think you need to make some transformation? So what is the discussion like now, so the immediate solution? Especially Marketing Solutions, how are you understanding the situation? Thank you.

**Company Representative:** Yes. There are two points. First, the consumers' trend and whether our service can match them. So that will be related to our results. So, once the COVID is contained to a certain extent and consumers' behavior comes back, then they can spend longer hours in restaurants or travel and get married. We think they will come back, so, to a certain extent, we think. Whether it will fully come back 100%, maybe the behavior will change. Before COVID, maybe people drank until 12:00 or 1:00 a.m. But, well, from now on, maybe they will leave earlier. Maybe people will change their lifestyle and move to a local region. So the money spent in the urban area may be less, may change. So some may come back; some may not come back. So we are trying to identify them one by one and evaluate the risks, but we have not gotten that far. We have not done that yet. We are trying to think of what new services can be launched, whether our existing services can stay effective or need to change or tailor or what to do.

So, starting this April, our business will be managed under one company, and so how we can be cross-functional and make quick decisions and execute them will be the key. So that's the kind of organization we are trying to become, so new demands and new product development will be pursued going forward.

**Nagao:** Thank you very much.

**Shen:** Yes. Thank you. We don't have open questions right now. From Nomura Securities, Mr. Nagao, please.

**Nagao:** Since there are no other questions, I will go. I asked my question previously. That was rather long. So, regarding the results, I would like to ask something. First, regarding the HR Technology. In the second-half guidance, looking at this, you said in the high teens. That is your guidance. But when you say high teens, that's still a broad range. So, that range, what will determine that range? What will be the factors to affect at which point in the range you will finish?

**Company Representative:** You're talking about the margin. Correct?

**Nagao:** Yes. I'm talking about the EBITDA margin.
**Company Representative:** Okay. First, regarding revenue, as previously announced, we were expecting minus 5% to minus 9%, and we've revised to 11%. In line with that, for the margin, previously, we said in the midrange of 10%, and now, we are guiding for high teens. So, if we fall in the midpoint, it will be 14% to 16%. If it's going to be the upper half, it's 17% to 19%.

And I understand your question is what will determine margin to be in the 17% to 19% range. Well, I said in the high teens, so revenue also may fluctuate. So, of course, that will be a factor affecting the margin. And as I said before, the HR appointments and hiring is something we are working on as well. But it's not that we can immediately hire people. It takes time. We have already started this initiative, and if we are successful in hiring good talent, then this will also impact. If the result's worse than 11%, then, accordingly, our marketing spend will have to be adjusted. So these are some factors. So, depending on the factors, we may fall in the range of 17% to 19% or 14% to 16%. And in any case, this is for the second half.

So, the first-quarter results that I talked about, of course, that has to be considered in addition to the fourth-quarter results. We are expecting it to be lower than the second quarter. So, depending on how low, it will determine which point in the range we will fall.

**Nagao:** I understand. Thank you.

**Shen:** Thank you. Citigroup Securities, Mr. Tsuruo, please.

**Tsuruo:** Thank you. First question is about the Staffing, Overseas Staffing. On a region-by-region basis, could you give us numbers, the US and Europe and Australia? How much better is Europe? And how are things in other regions? You explained overall business, but if you could elaborate on this, I'd appreciate it.

**Company Representative:** Overseas by region, we present numbers on annual basis. So, in May, when we announce our full-year results, we will talk about the revenue breakdown for 2020 in May, so I would like to refrain from doing that right now. Please understand.

**Tsuruo:** Thank you. Yes. Second question, HR Technology. The competitive landscape, could you elaborate on the competition?

And my third question is whether your share's increasing or not? Under COVID, what is happening among the competitors? And, as a result, your share and other companies' competitiveness, how are they changing and are they changing in a sustainable fashion?

**Company Representative:** The market side and the other companies' revenue trend, if we know that, then you can compare it with our numbers and see if our share increased or not. But overall, third-party stats, we don't have the latest numbers from the third-party stats. We have to wait for some time. So, that's my first point.

And the other competitors, they are private companies and part of large companies in many cases. And so, we cannot accurately grasp the picture, but my rough image is the return to us, the revenue recovery, we think is quicker than others. But we don't know if that will directly lead to the share increase because the customers' hiring budget may become bigger and then other companies, there will be more spending for others and so this may be a temporary thing. They may come to us first temporarily, but that said, it seems like we are recovering faster, earlier. But we cannot directly say we increased our market share and this will be sustainable. We cannot say that. That's our current analysis.

**Tsuruo:** I understand. So, for example, your recovery was quicker. What factors do you think that allowed that to happen: your company's effort or other factors? And you have a strong recovery. What are you doing to make it sustainable?

**Company Representative:** As I touched on earlier, this platform, this business, the strength of this platform is that the entry barrier is low for the SMEs. I think that is the big key factor. So, the clients who want to hire newly, or close the business and then start a completely new business in a different industry, for those clients, they say we liked it the last time we used the service, so we'll use it again, or the cost per hire was lowest, it was easiest to use. So they think of using the service that is easiest to use first. If that is going on, then I think
we're successfully capturing that demand. So the business feature, the strength, the expertise that we've
cultivated over the years is now being leveraged and is being demonstrated.

At the same time, as I said earlier, the US, HR market is very mobile. So I think that is a tailwind for us. So,
when there's the recruitment, it goes up; and then when it goes down, it goes down big. So the Indeed
platform is matching this trend and is now taking root and gaining momentum. But we're not just depending on
the US. We've been investing in the Overseas Business and growing it strongly. But compared to the US, the
HR's liquidity is not as high in other countries. Like Japan, Japan has low liquidity. So we have to look at the
features, and so continue growing in the US and at the same time, think of ways to improve the other
international markets. Thank you very much.

Tsuruo: Thank you. That's all from me.

Shen: Thank you. Mr. Kinoshita, please.

Kinoshita: This is Kinoshita speaking. First, regarding the Marketing Solutions, the second-half revenue
guidance compared to your previous expectation, I think you have more cautious outlook. As for the domains, Travel, do you think it will be contributing? Or would you say Dining is going to be worse than your expectation? And as was written here, in Housing, you are expecting the trends to change, which were not previously expected. So I'm trying to understand what were the factors that you looked at and the results changed your guidance.

Company Representative: On November 16th, we announced our guidance, and the assumptions for that
were that the situation, the conditions from the second quarter, remain unchanged. That was the assumption. But afterwards, in the third quarter, particularly for the Travel domain, which was performing well, but later the situation changed, and in the fourth quarter, we expect a very challenging environment. Therefore, the biggest factor is the Travel domain. The fourth-quarter result was impacted negatively.

Kinoshita: I understand. Thank you. So for the other domains, you expect the domains to perform as expected? Nothing is outside your expectation from the November time frame?

Company Representative: Right. When we presented the range in November, there was a question about
what would affect the changes in the range, and we answered that it would be Travel, and that's exactly what
happened. The Travel domain is now expected to be negative. And because of the state of emergency being declared, this contributed negatively to the Travel domain.

Kinoshita: I see. The Dining domain, however, is not impacted by the declaration of the state of emergency.
Am I correct?

Company Representative: Right.

Kinoshita: As for the Overseas Staffing operations, you said that the fourth-quarter results will be lower than
the third quarter and you're taking more cautious approach. From the regional perspective, are you specifically
talking about Europe?

Company Representative: Well, it's overall for Overseas operations, but there are certain countries in which
situation continues to be very challenging. So when we consider this, that would certainly affect the results.

As you can see, people working on customer sites, the temp staff, the number of such workers, obviously,
affect our revenue numbers. If the number is decreased, unless we see a recovery in the number of workers working on-site, we do not expect our revenue to recover.

So, at what pace this recovery will take place? Perhaps, we will not see the level of recovery that we want
within the fourth quarter. That's the possibility. But as I said before, there are essential workers in which
demand was low previously, but now we are seeing higher demand which contributed positively. So, it's a
matter of to what extent this trend is sustainable and to what extent we can see the business rebound.
Kinoshita: You are talking about the third quarter because of the Christmas season and there was seasonal demand. You are able to secure relatively short-term Staffing Business, and you are saying we are not sure whether this trend will continue throughout the fourth quarter, so that's why you are taking a cautious approach to guiding for the fourth quarter.

Company Representative: Well, the people in the delivery services, there are not so much temp staff, but they are more short term, more like part-time workers. So, it's not so much the Staffing Business. Of course, there are people working in the backyard for ecommerce, so I think you're talking about a slightly different category of temp workers. But previously, there was no demand in those categories, and we are seeing new demand in these categories, that is true. For example, hospital-related and people working in the backyard, we believe demand in these categories continue to be strong.

Kinoshita: I see. Sorry, one more thing. So, it's not a temporary onetime demand?

Company Representative: Right. We don't think it's a one-off demand, otherwise we would not see this level of revenue if it's just one-off demand.

Kinoshita: I see. But you don't expect the business to be completely stable. That is why you're looking at the numbers in a cautious manner. It's not that there was a special factor in the third quarter which required you to be more cautious in the fourth quarter?

Company Representative: No. We are not seeing such a big change or trend that warrant us to be more cautious in the fourth quarter.

Participant: I see.

Shen: Thank you very much. Thank you. Nomura Securities, Mr. Nagao, please.

Nagao: Thank you. Sorry for asking so many questions. So, the management structure will change greatly, and with that, your profit growth, the way of thinking on profit growth and investment will change going forward or not? Under this new management structure, what is the management KPI that you will focus on or the priorities or the strategies? So, going forward, how do you think you will change?

Company Representative: I am just one soldier. I cannot answer that kind of a big question. Oh, what are you saying? So let's wait for Mr. Idekoba's speech in May.

Nagao: I will. Thank you.

Shen: Thank you. Although we have some time left, but we would like to wrap up this meeting. Thank you very much. Thank you all.

[END]

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