

## Recruit Holdings Q1 FY2024 Results Presentation

---

### Slide 01

**Jun:** I am Junichi Arai, Senior Vice President - Corporate Strategy and Investor Relations of Recruit Holdings.

Today, I'll go through the Q1 FY2024 results.

### Slide 02

I will begin with highlights for the Q1 results.

### Slide 03

Based on the Q1 results and the current business environment,

### Slide 04

We decided not to revise the consolidated full-year guidance for FY2024.

### Slide 02

In line with our full-year outlook from May 15th, HR Technology revenue on a US dollar basis in the US continued to decline year over year, however, quarter over quarter, revenue increased 7.7%.

Although Indeed PLUS contributed positively to revenue growth in Japan, HR Technology's segment revenue in Q1 overall decreased 2.5% year over year on a US dollar basis, or increased 7.2% quarter over quarter.

On May 15th, we disclosed a plan to reduce net cash and cash equivalents to approximately 600 billion yen by the end of March 2026 through strategic business acquisitions and by continuing to return value to shareholders mainly through share repurchases.

The share repurchase program announced on December 13th last year was completed on June 25th, after purchasing the expected maximum amount of 200 billion yen, approximately 3 weeks earlier than the originally scheduled date of July 17th.

As disclosed on July 9th, we announced share repurchases with a maximum total purchase price of 600 billion yen.

### Slide 05

For the Q1 consolidated financial results, while the labor market in the US continued to normalize, business sentiment in Japan continued to gradually improve, revenue and adjusted EBITDA in all 3 SBUs increased on a Japanese yen basis, and consolidated revenue increased 6.0% to 901.5 billion yen, adjusted EBITDA increased 7.9% to 179.0 billion yen, the profit attributable to owners of the parent increased 8.5% to 106.4 billion yen, and basic EPS increased 11.4% to 69.12 yen.

### Slide 06

Now, I will explain the first quarter results for each SBU.

First, I will talk about HR Technology.

According to US JOLTS, job openings have fallen consistently after peaking at more than 12 million in March 2022 and the unemployment rate now exceeds 4% for the first time in more than two years, pointing to signs of continued, gradual normalization of the labor market. However, the labor market remains tight globally.

In such a business environment, total US job postings on Indeed, composed of free and paid postings, continued to decline year over year as we had anticipated.

As a result, US dollar based segment revenue was 1.82 billion dollars, a decrease of 2.5% year over year, in line with our full-year guidance announced in May. On a constant currency basis, revenue decreased 1.1% year over year.

On a Japanese yen basis, segment revenue in HR Technology increased 10.6% year over year to 285.1 billion yen.

However, Indeed's efforts to improve monetization have begun to show positive results, and the sequential growth trend that began in Q4 FY2023 continued as revenue increased 7.2% quarter over quarter.

By region on a US dollar basis, year over year, revenue in the US decreased 5.0% to 1.25 billion dollars. Revenue in Japan increased 29.3% to 155 million dollars as revenue transferred from HR Solutions due to the integration with Indeed PLUS. On a Japanese yen basis, revenue in Japan increased 46.5% year over year to 24.1 billion yen. Revenue in Rest of World decreased 3.5% to 422 million dollars. Quarter over quarter on a US dollar basis, revenue in the US increased 7.7%, revenue in Japan increased 9.1%, and revenue in Rest of World increased 5.3%.

#### **Slide 07**

Segment adjusted EBITDA margin decreased 2.9 percentage points year over year to 35.2% due to increased investments in marketing and Indeed PLUS, while continuing appropriate cost control measures, including the workforce reduction executed in May. Adjusted EBITDA margin increased 6.2 percentage points quarter over quarter. Segment adjusted EBITDA was 100.2 billion yen.

As Deko mentioned on May 15th, we continue to prepare for a period of economic expansion while also being ready in case there is a recession.

#### **Slide 08**

Next, I will talk about the results of Matching & Solutions.

First in HR Solutions, revenue in the placement service continues to grow steadily in a stable business environment. However, revenue in the job advertising service declined primarily due to the shift of revenue to Indeed Japan as the integration with Indeed PLUS progressed. Overall, revenue in HR Solutions decreased 7.4% to 74.8 billion yen.

Adjusted EBITDA margin in HR Solutions before allocation of corporate overhead costs decreased 1.0 percentage point to 24.3% due to additional expenses related to the Indeed PLUS transition.

#### **Slide 09**

In Marketing Solutions, the business environment in Japan remained largely unchanged from Q4 FY2023. Revenue increased across all verticals, including Beauty, Travel, Dining, and Housing & Real Estate. This led to a year over year revenue increase of 7.7% to 125.5 billion yen.

In particular, revenue in Beauty increased due to continued growth in new business clients. Additionally, revenue in Travel increased as the number of travelers recovered to pre-pandemic levels and the trend of high unit prices for lodging continued, and revenue in Housing & Real Estate continued to increase due to higher advertising prices per unit.

The SaaS business, represented by Air BusinessTools, is included in Marketing Solutions. During Q1, the number of SaaS accounts rose 16.9% to 3.91 million, driven by growth in AirPAY and AirSHIFT accounts.

Adjusted EBITDA margin in Marketing Solutions before allocation of corporate overhead costs improved 5.2

percentage points to 32.1% due to appropriate cost control measures mainly related to marketing activities.

#### **Slide 10**

As a result, segment revenue in Matching & Solutions for Q1 increased 1.5% to 202.9 billion yen.

Segment adjusted EBITDA margin improved 4.2 percentage points to 25.5%. Segment adjusted EBITDA was 51.7 billion yen.

#### **Slide 11**

For Staffing.

Segment revenue in Q1 was 422.5 billion yen, an increase of 5.3% or a decrease of 0.9% on a constant currency basis.

Revenue in Japan was 200.2 billion yen, an increase of 7.6% due to an increase in the number of temporary staff on assignment as a result of continued growth in demand for staffing services.

Revenue in Europe, US, and Australia was 222.3 billion yen, an increase of 3.3%, or a decrease of 8.1% on a constant currency basis as demand for temporary staffing services slowed against the backdrop of an uncertain economic outlook.

Segment adjusted EBITDA was 28.6 billion yen and segment adjusted EBITDA margin was 6.8%.

#### **Slide 12**

Based on the revenue and adjusted EBITDA increases across all 3 SBUs, these are the consolidated financial results for the Q1.

Consolidated revenue in Q1 increased 6.0% to 901.5 billion yen. However, the 155.9 yen per US dollar exchange rate was considerably weaker than the Q1 FY2023 rate of 137.5 yen per US dollar. As a result, revenue decreased 0.9% on a constant currency basis.

Consolidated adjusted EBITDA increased 7.9% to 179.0 billion yen, and adjusted EBITDA margin increased 0.4 percentage points to 19.9%.

#### **Slide 13**

Consolidated operating income increased 5.1% to 127.8 billion yen including a one-time restructuring charge of 87 million dollars or 13.6 billion yen related to the workforce reduction announced on May 13th, in line with the initial estimate of approximately 85 million dollars.

Profit attributable to the owners of the parent increased 8.5% year over year to 106.4 billion yen, and basic EPS increased 11.4% to 69.12 yen, partly benefiting from the impact of the share buyback which ended on June 25th.

#### **Slide 14**

Now, I will provide supplemental information about the share repurchases announced on July 9th.

In accordance with our capital allocation policy, for the purpose of improving capital efficiency and increasing shareholder returns, we have again determined to acquire our own shares. This decision takes into account several factors including the ability to make strategic business investments, the current stock price, market conditions, and the forecast of our financial position.

The share buyback period is one year, from July 10th, 2024 to July 9th, 2025. The maximum total amount to be repurchased is 600 billion yen, or 87 million shares, equal to 5.67% of total shares issued and outstanding

excluding treasury stock.

As part of this program, on July 10th, we acquired 8.65 million shares at 79.1 billion yen through an off-auction trading system, ToSTNeT-3. This was done to facilitate the smooth sale of our shares by our Japanese business partner shareholders.

The remaining approximately 520.9 billion yen worth of shares are planned to be acquired through open market purchases by an appointed securities dealer with transaction discretion. This process began on July 11th.

The shares to-be-acquired through these share repurchases may be used in the future for the delivery of shares upon the exercise of stock acquisition rights, for stock compensation for employees of the Recruit Group, or for strategic M&A with common stock as consideration. Additionally, as we did at the end of FY2023, we may also consider canceling shares.

Currently, the dividend payout for FY2024 is expected to be 24 yen per share. Considering that 88.6 billion yen of shares were acquired since April 1st as part of the share repurchase program completed on June 25th, and assuming that we will repurchase all 600 billion yen in the ongoing program within this fiscal year, the total payout ratio for FY2024 is expected to be in a range of approximately 180% to approximately 230% based on the guidance disclosed on May 15th, 2024.

The progress of the share repurchases will be disclosed monthly.

Please refer to the IR website for more details.

Lastly for investors' information, due to the amendments to the Financial Instruments and Exchange Law of 2023, companies are no longer required to submit quarterly reports to the Financial Services Agency, while continuing to file the earnings release with the Tokyo Stock Exchange.

In accordance with this change, we are removing the MD&A section from the Earnings Release for Q1 and Q3, while maintaining the same level of quarterly disclosure as before.

As always, the information to be communicated to capital market participants is included in this presentation and in the Appendix of the FAQs on the IR site, so please refer to that as well.

This concludes my presentation.

Thank you.

[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.

Please note that significant differences between the forecasts and other forward-looking statements and actual results may arise due to various factors, including changes in economic conditions, changes in individual users' preferences and business clients' needs, competition, changes in the legal and regulatory environment, fluctuations in foreign exchange rates, climate change or other changes in the natural environment, the impact of the spread of COVID-19, the occurrence of large-scale natural disasters, and other factors.

Accordingly, readers are cautioned against placing undue reliance on any such forward-looking statements. The Company has no obligation to update or revise any information contained in this document based on any subsequent developments except as required by applicable law or stock exchange rules and regulations.

*This transcript is provided for the convenience of investors only and this is a translated version of the Japanese call.*