This is an edited version of the English translation of the Q2 FY2025 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 version. The Q&A session was translated from Japanese using an AI tool and subsequently edited for clarity.

Recruit Holdings Q2 FY2025 Earnings Call
November 6, 2025

Slide 01

Shen：Thank you for joining the Recruit Holdings FY2025 Q2 earnings call.
I'm Mizuho Shen, manager of Investor Relations and Public Relations.

Today, I will give a brief talk about our business,

Then Junichi Arai, Executive Vice President and Chief Financial Officer, will give a presentation on results and guidance, followed by a Q&A session.

Please note that today's session, including the Q&A, will be posted on our IR website after the event.
Starting this fiscal year, we have integrated HR Solutions from Matching & Solutions into HR Technology. Accordingly, the year-on-year comparison of segment results in this fiscal year's financial presentation is based on FY2024 pro forma figures, which assume that this integration had been effective as of April 1, 2024. Unless otherwise stated, comparisons will be made year over year.

Lastly, please note that all references to dollars in this presentation refer to US dollars.

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We have three business segments.

HR Technology features Indeed and Glassdoor, which together create a global two-sided talent marketplace across more than 60 countries, with a focus on the US.

At the core of our "Simplify Hiring" strategy, Indeed uses its broad reach, AI-powered matching, and tools for faster connections to make the hiring process more efficient for employers and to help job seekers find jobs faster and more easily. This strategy is enhanced in Japan through the Indeed PLUS job distribution platform and the integration of placement services, including Recruit Agent.

Staffing consists of two major operations: Japan, and Europe, US, and Australia.
Between 2010 and 2016, we expanded to our current scale and structure through multiple global acquisitions of staffing companies.

Marketing Matching Technologies, or MMT, consists of Marketing Solutions of the former Matching & Solutions.
In Japan, MMT provides vertical matching platforms that connect individual users and business clients in areas like the Lifestyle subsegment, which includes Beauty, Travel, Dining, and SaaS solutions, as well as the Housing & Real Estate subsegment and others. These platforms offer services including information and online reservation and booking services.

And now, I'll turn the call over to Arai san.

Arai: Thank you for joining today.
This time it's slightly longer than usual, so we appreciate your patience and continued attention.

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I will discuss the following four highlights of the FY2025 Q2 earnings presentation.

1. In HR Technology, revenue in the US for Q2 increased by 5.8% year over year to $1.33 billion.

2. We have upwardly revised the full-year US revenue outlook in HR Technology from a 0.3% year-over-year increase announced in May to a 5.6% increase.

3. The full-year consolidated financial guidance has been revised upward. Consolidated EBITDA+S for this fiscal year has been revised upward from ¥697.0 billion to ¥733.5 billion.

4. Net cash at the end of September 2025 was ¥590.5 billion.

We commenced a new share repurchase program of ¥250.0 billion on October 17.

This is in line with the policy we announced in May 2024 to reduce net cash to around ¥600 billion by the end of FY2025.

After reviewing our consolidated results for Q2 and the first half, I will discuss the performance and outlook by segment, followed by our full-year consolidated guidance, and finally, our capital allocation policy.

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Regarding FY2025 Q2 consolidated results,

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In HR Technology, our focused monetization efforts were the primary driver of revenue growth, successfully counteracting the impact of a softer job market in the US.
Revenue in Marketing Matching Technologies or MMT increased and revenue in Staffing remained flat. As a result, total consolidated revenue increased by 2.0% to ¥914.7 billion.

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As a result of continued efforts across all segments to further enhance productivity, EBITDA+S margin was 22.7%, exceeding Q1 of this fiscal year, driven by margin expansion in HR Technology and MMT.
EBITDA+S margin over gross profit was 38.2%, reflecting our underlying cash flow-generating capability.
Before adding back stock-based compensation expenses, EBITDA margin improved compared to the same period last year, reaching 21.3%.

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For the first half of FY2025,
revenue decreased 0.3% to ¥1 trillion 793.5 billion,

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EBITDA+S margin continued to expand, reaching 22.0%

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Now, I will move on to the results and outlook by segment.

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I will start with the results for HR Technology.

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For Q2,
segment revenue on a US dollar basis increased by 4.5% year over year and by 2.1% quarter over quarter to $2.41 billion.

On a Japanese yen basis, segment revenue increased by 2.9% year over year to ¥355.7 billion.
As for revenue by region,

Turning to our US performance, despite an approximate 8% decline in job postings, US revenue increased by 5.8% year over year and by 5.6% quarter over quarter to $1.33 billion, exceeding our initial expectations.

This was driven by the successful monetization development of paid job ads, with a notable contribution from Premium Sponsored Jobs. This solution enhances our paid job ads by incorporating key features and leverages Indeed's advanced matching and targeting technology.

Revenue in Europe & Others increased by 14.7% year over year to $509 million.
The UK, Canada, and Germany together accounted for about two-thirds of Indeed revenue for Europe & Others on a US dollar basis.

The revenue growth was primarily driven by the UK and Canada, where monetization development led to revenue growth of approximately 8% year over year respectively on a local currency basis, as well as by foreign exchange impacts.

Starting this fiscal year, HR Technology Japan consists of job advertising services, placement services, and other hiring-related services after integrating HR Solutions of the former Matching & Solutions.

Revenue in Japan decreased by 7.2% year over year to ¥84.0 billion, or declined by 5.7% year over year on a US dollar basis.

Our job advertising service, Indeed PLUS, which launched in January 2024, is performing above initial expectations. However, our placement services fell short of the initial assumption. This shortfall occurred because we underestimated the business impact of the system migration processes that followed our recent organizational integration.

Even excluding the impact of the difference between gross-to-net revenue recognition related to the transition to Indeed PLUS, overall Japan revenue came in below our initial expectations.

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Segment EBITDA+S margin expanded to 37.9%, driven by improved productivity and enhanced operational efficiency in the US and in Europe & Others.

Even in a business environment where the total number of US job postings continued to decline, the successful combination of monetization development and improvements in operational efficiency and productivity was clearly reflected in segment EBITDA margin, which increased by 6.6 percentage points from the same quarter last year to 34.7%.

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As a result, for the first half,

on a US dollar basis, segment revenue increased by 4.1% year over year to $4.77 billion, and on a Japanese yen basis, decreased by 0.5% year over year to ¥697.5 billion.
As for revenue by region,
In the US, revenue increased by 3.4% year over year to $2.59 billion.

In Europe & Others, revenue increased by 13.7% year over year to $985 million.

In Japan, revenue decreased by 5.8% year over year to ¥174.3 billion, or decreased by 1.3% year over year to $1.19 billion.

Although placement services revenue fell slightly short of our initial expectations, job advertising services revenue performed above expectations, resulting in total revenue in Japan coming in slightly above our initial projections.

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Segment EBITDA+S margin was 36.5%.

For the first half, sales commission, promotion expenses, and advertising expenses in total amounted to approximately 13% of segment revenue, while employee benefit expenses and service outsourcing expenses totaled approximately 46% of revenue, reflecting the impact of the workforce reduction announced in early July, which began to take effect in the latter half of the first half.

Now I will discuss the second half outlook.

But before diving into the outlook,

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Today, I am introducing a new Key Performance Indicator to track our monetization progress and serve as an important indicator of the future evolution of HR Technology in the US, the US Average Revenue per Job posting on Indeed, or US ARPJ growth rate.

Hereafter, we refer to the US Average Revenue per Job Posting as US ARPJ.

For clarity, the US ARPJ is calculated by dividing HR Technology US revenue by the total number of free and paid jobs in the US, including those posted directly to Indeed and those aggregated from the internet. It represents the average revenue generated per job posting on Indeed in the US.

The US ARPJ is based not only on paid job ads, but the denominator includes all jobs listed on Indeed, regardless of whether they are paid or free. Its year-over-year growth rate is the US ARPJ growth rate.

The revenue increase of 5.8% in the US during this Q2 was driven by the "US ARPJ growth rate" coming in at approximately 15% increase year over year, despite an approximately 8% decline in the total number of job postings. For the first half, the US ARPJ growth rate was around 13% increase year over year, clearly demonstrating the progress and success of our monetization strategy.

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This chart shows the indexed trend in total number of US job postings on Indeed from February 2020 to the present, represented here by the Indeed Hiring Lab US Job Postings Index.[*1]

This index is based on the total number of US job postings used in calculating the US ARPJ growth rate.

It's important to understand that this index is based on both free and paid job postings on Indeed, which are sourced in two ways. Hosted Jobs are posted directly on Indeed by business clients. Indexed Jobs are aggregated by Indeed from employer websites and other sources across the internet.

Our CEO, Deko, stated in May 2024 that We assume that hiring demand in the US will hit the bottom after decreasing for another 18 or 24 months, i.e. this second half, and we will run our business based on that.

Given the current US business environment, we still expect hiring demand in the US to be broadly in line with our assumption at the beginning of this fiscal year, which is to continue a modest year over year decline throughout the second half with the trend bottoming out in Q4.

Based on our assumption, we have revised our US revenue outlook for Q3 and Q4.

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This chart shows the quarterly trend of US revenue in HR Technology since Q4 FY2019, together with the Index chart that I mentioned earlier.

On the far right, we have added the HR Technology's assumed trend for the IHL Index in the second half and the revenue outlook for Q3 and Q4.

Looking at these results through Q2, as you can see, through FY2023, HR Technology US quarterly revenue moved largely in line with this Index.

However, from the beginning of FY2024 through the first half of the current fiscal year, HR Technology US revenue has decoupled from the declining trend in job postings.

This divergence is the direct result of ongoing developments in monetization which we've been successfully executing since our CEO, Deko, announced the beginning of Year 0 in May 2024, a period of strengthening our foundation and preparing for a recovery in the business environment following the downturn.

To provide clear insight into this divergence, we will report the US ARPJ growth rate as a new KPI. This metric represents our continued progress in evolving our business, capturing the success of our entire product and monetization strategy, built on Indeed's foundation as a two-sided talent marketplace that connects job seekers and employers.

Currently, paid job ads remain just under one-quarter of the total number of US job postings on Indeed. As we increase this penetration and as more business clients adopt our other value added subscription services including sourcing, branding and new AI products, the US ARPJ will rise and its growth rate will accelerate, further widening the divergence from the IHL index growth rate.

Now, turning to our US revenue outlook for Q3 and Q4 in US dollars.

Despite an anticipated year-over-year decline of around 7% in the total number of US job postings in the second half, we expect the US ARPJ to continue growing year over year at around 16% for the second half.

We expect revenue for Q3 to increase by 7.2% year over year and decrease by 4.8% quarter over quarter, reflecting the seasonality of the holiday period, when both job-seeking and hiring activities tend to slow down.

For Q4, we expect revenue to increase by 8.6% year over year and by 1.6% quarter over quarter.

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Our second half outlook is based on exchange rate assumptions of 145 yen to the US dollar and 172 yen to the euro.

We expect segment revenue to increase by 7.8% year over year to $4.74 billion, and to increase by 2.5% year over year to ¥687.9 billion.

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By region,

in the US, based on the quarterly revenue assumptions I discussed earlier, we expect revenue to increase by 7.9% year over year to $2.56 billion, and to decrease by 1.4% compared to the first half, reflecting normal seasonality.

In Europe & Others, we expect revenue to increase by 21.5% year over year to $1.03 billion, reflecting ongoing developments in monetization.

In Japan, revenue in placement services, as explained earlier, will continue to decline in the second half, and we expect revenue to decrease by 7.2% year over year to ¥167.0 billion, or by 2.4% year over year to $1.15 billion.

As I stated in the earnings presentation in May, in Japan, we are prioritizing the stable operation of our newly reorganized structure following personnel reassignments to facilitate future growth in the coming years.

Since April, we have focused on maintaining stable operations for the integrated organization while launching a range of initiatives to drive business evolution and enhance efficiency, including actively leveraging AI to support future growth.

Some of these initiatives are already yielding results, while others have required us to make adjustments. For those that did not meet our initial expectations, we have identified the underlying causes and are working to rectify and improve them. We remain committed to pursuing innovation boldly, without fear of failure.

Although corrective measures have already been underway, placement services generally take more than six months from the time a job seeker is introduced to a position until a successful match is finalized and revenue is recognized. Therefore, we expect the impact of these corrective actions to begin contributing from the first half of next fiscal year.

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Segment EBITDA+S margin is expected to reach 35.1%, up 3.4 percentage points from 31.7% in the second half of last fiscal year, as we aim to balance monetization development with further improvements in operational efficiency and productivity, even in a business environment where US hiring demand continues to decline modestly year over year.

Margin expansion in the US and in Europe & Others is expected to continue, driven by upward revisions of revenue and progress in efficiency improvements, including the workforce reduction implemented in July.

In Japan, we expect lower revenue due to the performance of placement services to contribute to a lower EBITDA+S margin. However, we also plan to control advertising and other promotional expenses carefully, which will partially offset the negative impact on margins.

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Based on the results for the first half and the outlook for the second half, the full-year outlook has been revised upward.

We now expect segment revenue to increase by 5.9% year over year to $9.52 billion,
up from the initial outlook of a 2.4% increase to $9.2 billion.

On a Japanese yen basis, we have revised our outlook upward to ¥1 trillion 385.5 billion, representing a 1.0% increase year over year, from the initial outlook of a 2.8% decrease to ¥1 trillion 334.4 billion.

By region,

in the US, we have revised our outlook upward from the initial assumption of a 0.3% year-over-year increase to an increase of 5.6%, reaching $5.15 billion.

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In Europe & Others, we have revised our outlook upward from the initial expectation of an 8.1% year-over-year increase to a 17.6% increase, reaching $2.01 billion.

In Japan, we have revised our outlook downward from the initial expectation of a 2.7% year-over-year decrease to a 6.5% decrease to ¥341.3 billion, and on a US dollar basis, to $2.34 billion, representing a 1.9% decrease year over year.

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Segment EBITDA+S margin has been revised upward from the initial outlook of 34.5% to 35.8%, representing an increase of 2.8 percentage points from 33.0% in the last fiscal year.

Segment EBITDA margin is expected to be 31.1%, representing an increase of 3.7 percentage points from 27.4% in the last fiscal year.

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As for Staffing,

Segment revenue in Q2 increased by 0.8% to ¥421.3 billion.

In Japan, revenue increased by 6.1% to ¥209.4 billion, driven by stable demand for staffing.

In Europe, US, and Australia, revenue declined by 3.9% to ¥211.8 billion. This represents an improvement from the first quarter, driven by increased orders from large business clients, as well as the impact of the Japanese yen depreciation.

Segment EBITDA+S margin was 6.6%.

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For the first half of this fiscal year, segment revenue decreased 1.3% to ¥829.4 billion, segment EBITDA+S margin was 6.6%.

For the second half outlook, segment revenue is expected to increase 2.3% to ¥846.0 billion, segment EBITDA+S margin is expected to be 4.8%.

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For the full-year outlook, we have revised segment revenue to ¥1 trillion 675.4 billion and segment EBITDA+S margin to 5.7%, with only minor changes from the figures disclosed on May 9.

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Next, I will discuss Marketing Matching Technologies or MMT.

Regarding Q2 results,

segment revenue increased by 6.3% year over year to ¥144.3 billion with revenue growth across all subsegments.

Revenue in Lifestyle, which consists of Beauty, Travel, Dining and SaaS solutions increased by 8.5% to ¥76.9 billion, driven by the continued growth in new business clients in Beauty.

Revenue in Housing & Real Estate increased by 4.3% to ¥38.5 billion, driven by the growth in the number of contracts closed for custom homes through SUUMO Counter, our face-to-face housing consultation service.

Revenue in Others, which includes Car and Bridal, increased by 3.5% to ¥28.8 billion.

Segment EBITDA+S margin expanded to 32.3% driven by appropriate cost control, principally related to service outsourcing expenses.

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For the first half, segment revenue increased by 6.7% year over year to ¥281.2 billion and the segment EBITDA+S margin was 31.9%.

For the second half outlook, segment revenue is expected to increase by 3.7% to ¥286.0 billion, driven by continued strong performance in Lifestyle, including growth in new business clients in Beauty and Dining and continued increases in the number of room nights and unit price in Travel.

Segment EBITDA+S margin is expected to be 22.2%.

We will now explain the background behind the significant difference in EBITDA+S margins between the first half and the second half of MMT.

The primary factor is the seasonality of advertising and sales promotion expenses in the Japanese market.

When planning for the next fiscal year, MMT carefully prioritizes these expenses across its subsegments, consolidating proposals submitted by the respective business units.

Based on the latest performance outlook during the fiscal year,
MMT allocates funds intensively and effectively in line with these priorities when the number of actions by individual users on our matching platform increases.

Our Q4 coincides with the timing when the number of actions taken by individual users increases the most within the fiscal year, due to the start of the new fiscal year in Japan in April, particularly in Housing & Real Estate.

By concentrating our spending on these expenses during this period every fiscal year, MMT aims to maintain and increase the revenue recognized in Q4 and in Q1 of the following fiscal year.

In the previous fiscal year, approximately 36% of total annual sales commission, promotion expenses, and advertising expenses, broadly defined as marketing-related expenses, were recorded in Q4, and approximately 58% were recorded in the second half with an EBITDA+S margin of 28.6% for the first half and 22.4% for the second half.

In this fiscal year, in addition to the concentration of usual seasonal expenses in the second half, we will increase sales promotion expenses exceeding initial projections to support new growth initiatives across multiple areas aimed at realizing increased revenue in FY2026 and beyond.

As a result, we expect approximately 60% of the annual marketing related expenses to be recognized in the second half of this fiscal year.

Moreover, we have a one-time impact from a planned update to MMT's accounting system at the end of the fiscal year. This upgrade will refine our revenue recognition policy, moving from a previous pro-rata monthly allocation method to a daily-basis recognition.

This one-time transition means approximately ¥5.0 billion in revenue and associated profit, which we had expected to book in March, will not be recognized within the current fiscal year.

Taking this into account, we expect EBITDA+S margin for the second half to be 22.2%, compared with 31.9% in the first half.

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The full-year segment revenue outlook is largely unchanged: with an expected increase of 5.1% year over year to ¥567.2 billion compared to the initial outlook of plus 5.1% year over year to ¥567.0 billion, even after reflecting the one-off impact from the revenue recognition refinement that I mentioned earlier.

Due to the one-off profit impact, segment EBITDA+S margin has been revised downward from the initial outlook of 27.5% to 27.0%.

Regarding our segment EBITDA+S margin, our future targets remain unchanged. MMT aims to reach segment EBITDA+S margin of 30% in FY2026 and approximately 35% by FY2028.

We plan to share specific details about initiatives to drive revenue growth in the next fiscal year soon.

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Now, based on the segment outlooks, let me turn to our consolidated outlook for the second half.

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For the second half, we assume exchange rates of 145 yen per US dollar and 172 yen per Euro.

As for the consolidated outlook for the second half of this fiscal year,

revenue is expected to be ¥1 trillion 805.0 billion,

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EBITDA+S is expected to be ¥339.0 billion, with the EBITDA+S margin to be 18.8%.

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We have revised the full-year consolidated guidance, reflecting the first half results and the second half outlook for each segment.

Revenue guidance has been revised from ¥3 trillion 520.0 billion, minus 1.1% year over year, to ¥3 trillion 598.5 billion, plus 1.2% year over year.

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EBITDA+S has been revised from ¥697.0 billion, plus 2.7% year over year, to ¥733.5 billion, plus 8.1% year over year.

EBITDA+S margin is expected to be 20.4%, with EBITDA+S margin over gross profit assumed to be 34.5%.

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Profit attributable to owners of the parent has been revised to ¥448.3 billion, representing an increase of 9.8% from the last fiscal year, and basic EPS is revised to ¥313, up 15.3% year over year reflecting the impact of share repurchases.

Consolidated full-year results will be expected to reach new record highs.

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Last but not least, let me explain our capital allocation.

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During the first half, we repurchased approximately 53 million shares for ¥423.7 billion.

Consolidated net cash and cash equivalents as of the end of September was ¥590.5 billion.
A new share repurchase program with an upper limit of ¥250.0 billion started on October 17, and the market repurchase is currently being conducted through an appointed securities dealer with transaction discretion. The repurchase period is scheduled to continue until April 30, 2026, at the latest.
We note that, following the commencement of this share repurchase program, we may consider and execute strategic M&A transactions.

The Board of Directors resolved today to pay an interim dividend of ¥12.5 per share. The total per share dividend amount is expected to be ¥25.0.

We retired treasury stock in March of both FY2023 and FY2024, using shares acquired during the respective fiscal years.

We will also consider retiring the treasury stock to be acquired through our share repurchase programs in FY2025 at the end of the fiscal year, taking into account market and business conditions.

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Finally, regarding the total payout ratio for this fiscal year, if we assume the currently ongoing ¥250.0 billion share repurchase program is completed within the current fiscal year, in addition to the share repurchase results up to September 30th of this year, the total amount of shares repurchased this fiscal year will be ¥677.9 billion.

Additionally, taking into account the expected dividend for this fiscal year, the total payout ratio is expected to be approximately 159%, based on our full-year consolidated earnings forecast announced today.

This concludes my presentation.

Q&A session

Shen: Now we would like to proceed to the Q&A session. If anybody has a question, please click on the Zoom raise hand button. Please limit your questions to one initial question and one follow-up per turn. With that, we'd like to begin the Q&A session.

Alright, let's begin. First, Oum-san from Nomura Securities, please go ahead.

Oum: Thank you. I'm Oum of Nomura Securities. I have one question.

Regarding your plan for the second half growth rate of US ARPJ of 16 %, is most of that driven by the contribution of Premium Sponsored Jobs? Or are there also other factors beyond Premium?

Arai: Thank you.

Of course we expect a contribution from Premium, but it's not just that, we have factored in various other contributions as well.

As I mentioned earlier, we already have, to some extent, begun selling subscriptions, and based on current feedback, it appears that they are being well received, so we believe that will also come into play.

Also, as I noted previously, given that the market is expected to continue to decline moderately, we plan to generate monetization effects despite the market. So I would invite you to consider whether this assumption is aggressive, or whether it's realistic, or perhaps even conservative.

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We expect both our existing products and new ones to contribute and we hope to be able to share more at the Q3 earnings announcement how and what contributed to our growth. Thank you.

Oum: Thank you. A follow-up: I'd like to get a little more insight into Premium's current status.

I understand detailed disclosure may be difficult, but if possible: for example, what is the ratio of Standard to Premium? Have you started to see a percentage for Premium? Or regionally, how many countries/regions have you expanded into for Premium? Any comments that might hint at penetration would be appreciated.

Arai: Today I focused on the US, so if we are speaking about the US, for example, how far Premium is working, and in Europe, how the parameters differ, we may be able to speak further in the future.

But for today, at least in the US, I'll refrain from giving a full breakdown such as revenue decomposition or Hosted vs Indexed, etc., because if we start doing that, many more questions will follow.

What I can say is that we are seeing a continued increase in the number of customers using Premium Sponsored Jobs.

Oum: By the way, I already used my one follow-up question, but within Premium there are many functions. Within those, is there a feature that is especially popular? Or what is the main reason customers are moving from Standard to Premium, based on field feedback?

Arai: Good question. In discussions with Deko, we talked about what to include in Premium, or whether to launch something new outside of Premium.

The combinations of what to include or not include in a package, how to provide it to customers, how to charge for it, there are many variations. So naturally we may raise the price of the Premium package by adding new features, or we may not, depending on the configuration. In the Q3 and Q4 results we hope to talk about that.

For example, Matched Candidates or targeting features may be well-received in certain industries but not in others, so it's difficult to say this one feature is universally popular, since each client's segments and industries have different needs.

Oum: Thank you.

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

Munakata: Thank you. I'm Munakata from Goldman Sachs Securities. Thank you for the opportunity.

In Q2, the growth of Indeed in the US was very strong and encouraging. Also, thank you for disclosing the average unit price growth rate; that is very helpful.

My question: On the slide where you overlaid the IHL Index and revenue bars, I understood that the divergence between the IHL Index and revenue may expand as monetization evolves. Given that the average unit price growth rate for the second half is set at 16 %, which is quite high, is it realistic for you to maintain or expand the average unit price growth rate in future years?

Also, there are new services recently announced, such as Indeed Talent Scout, so should we expect monetization from these new products in the next fiscal year and beyond, rather than this fiscal year?

Arai: In this Q2 result, I'll be a little blunt: I call it the 'Deko effect'. Deko is overseeing operations on the ground, driving monetization evolution and business efficiency side by side at high speed.

The Q3/Q4 revenue outlook we shared, and our reading of IHL index, are freshly prepared information. At least for Q3/Q4 we believe our monetization effect will show up, and heading into next year we plan to roll out many things.

For example, we plan to launch AI tools on a subscription basis, things we haven't done before. So how those turn into value, and how we monetize them, we are thinking through that while considering next year's US market conditions and beyond into 2026. So we're not just considering existing offerings, but how to bring new ones in, remove others, and raise the KPI we set.

In other words, I actually believe the KPI we set is rather challenging: even if the market returns and ARPJ improves at the same rate as the job numbers, the growth rate won't rise unless our monetization improvements outpace the market expansion. Regardless of market ups and downs, we're focused on how to raise it: what value to add so customers will pay more. That's the game.

We'll talk about how next year may shape up in February and May, but the fact that we presented this shows our unwavering intent and commitment.

Munakata: Understood. I felt that commitment in the presentation, thank you.

A quick follow-up: Recently when I speak with investors, the services around generative AI are becoming very familiar. Some investors are concerned: could services like ChatGPT and other generative-AI offerings replace parts of Indeed's service? Could you again explain Indeed's unique strengths and competitive advantages?

Arai: Over the past few months when meeting investors, I have been asked that exact question.

What I replied is: Suppose a job seeker asks ChatGPT, "Is there a good job for me?" and ChatGPT says, "Here's one; want me to write the perfect resume for you?" Then what happens? These might ease the job seeker's job hunting process, so they can apply to many more jobs because it's easier.

Then our role is, how do we provide high-quality matching, how do we make sure job seekers and business clients connect with each other quickly and well. This would actually run counter to that trend if job seekers send hundreds of resumes and receive no replies.

Why? Because if too many resumes flood in and few replies come back, the business client faces overload. So our uniqueness, as Deko has always said, is that we have a two-sided marketplace. This supports matching efficiency for both sides, and that is where our strength lies.

Even though Yahoo, Google, or Facebook etc have wonderful platforms and technology and could enter this business, even better than us, 10 years ago, the job market is not e-commerce or booking; a job is unique, and the employer chooses the candidate. That two-way decision process is hard to replicate.

We believe that the nature of our marketplace is being appreciated by both sides and used continuously and that is our advantage. It may not be a crisp answer, but that's how I respond when asked.

Munakata: Very clear on the concept, thank you.

Arai: Deko also mentioned that for the employer side, simplifying recruitment, verifying if a candidate is truly qualified, or if they are truly a human candidate, etc many things are becoming necessary. Providing that will differentiate us and serve as further strength. Thank you.

Shen: Thank you. Next, Maeda-san of SMBC Nikko Securities, please.

Maeda: I'm Maeda from SMBC Nikko Securities, thank you.

Given that you are producing strong numbers with unique improvements, one might think we don't need to worry too much about the labor market itself. But every time statistical data on the labor market comes out, the market, on the equity side, seems to reflect the risk that the recovery might take longer than Q4 as suggested.

Could you revisit the outlook for Q4: your view that job listings and the jobs market bottom out around Q4, has that viewpoint changed? Or if there is a risk of a longer period, could you follow up?

Arai: When you say 'bottom', you might imagine a sharp tick-up after the bottom. I don't think that's how it will play out.

At the same time, across many industries we are seeing signs of troughing. The decline in US labor supply is already having an impact. So I don't think we are in a scenario of continued steep decline. That said, it does not mean there will be a V-shaped recovery immediately.

So, repeating, even amid this, we want to focus on raising our KPI, our US ARPJ growth rate.

Maeda: One follow-up question, the topline is going well, assuming the forecast follows as intended, but at some point, should we expect investment, including M&A, given the cost-reduction from efficiency?

Is there a risk that costs rise suddenly if projections change? Could you share your thinking on investment expenditure for this business as we look toward Q4 and next fiscal year?

Arai: As we've communicated before, we're not focused on M&A to bulk up revenue in the short term.

Even if we did an acquisition, it would be for the future, as we discussed. For example, how to raise US ARPJ growth rate, rather than acquiring something just to boost this year's revenue and then cut costs.

In fact, if you think about it, those kinds of deals are quite different. So I would say don't expect near-term impact from M&A. Instead, if we continue to raise US ARPJ growth rate, do the same in Europe, further improve in Japan, the combination of growing revenue and reducing costs organically is what we are pursuing.

Maeda: Thank you.

Shen: Next, Yamamura-san from J.P. Morgan Securities, please go ahead.

Yamamura: Thank you. I'm Yamamura from J.P. Morgan Securities, can you hear me?

Arai: Yes.

Yamamura: I have one question about your outlook for job listing volumes. I understand you expect a moderate decline in the second half, and I think that just a flattening in Q4 might be relatively positive.

As Maeda-san mentioned, I think there are two common arguments. The first argument is that limited immigration in North America reduces labor supply, making things difficult for Recruit. The second argument is that the introduction of AI makes people less needed, making things difficult for Recruit. They're often discussed in relation to listing volumes. Could you share your view of how you're envisioning the future?

As labor shortages continue, one could argue that companies may become more motivated in their hiring efforts. And while it is true that AI may reduce the need for certain roles, I also believe demand will increase for high-quality talent that companies are willing to pay a premium to secure.

In that sense, it seems possible that the direction your company is taking in terms of quality-focused monetization aligns well with this trend.

So I do not think it is a simple story. I find myself navigating the market with a degree of uncertainty, and it would be very helpful if you could share how your company envisions the future in this regard.

Arai: Deko says that the US market is becoming more like Japan.

That is, Japan's tightness, shrinking labor force, aging population etc, is catching up in the US. So if you imagine what happened in Japan and trace that, you may get a sense of what might happen in the US.

In fact, in Japan, the demand for the recruitment business is increasing. Deko mentioned in the meeting that he looked closely at those kinds of statistics and explained them to me in detail, and he said he was referencing past cases in the US.

For 15 years, from the late '90s to about 2010, US factory workers dropped from 17 million to 11 million, yet production increased.

It's said that there are about 30 million white-collar workers in the US, so if we assume that they are the group most likely to be impacted by developments like today's AI, then yes, there may be some reduction.

However, as with what happened in the manufacturing sector, we haven't seen a rise in unemployment as a result. Instead, what tends to happen is that such talent gets redistributed into other industries.

And what I always come back to is just how massive the job market is. It is not limited to a single industry, but spans across all sectors, so it is enormous. For a Japanese analogy, though it might not resonate with everyone, it is like thinking of a huge body of water, such as Lake Biwa, or even a giant pool.

So the idea that AI alone will cause everyone to lose their jobs does not really seem likely to me.
In specific areas, yes, that kind of disruption may occur. But if you look at the broader pool, I think what will happen is that more people will shift to working in other industries, or more people will start earning higher wages in other sectors.

So, if you reflect on all of this, I believe the labor industry in the US, or rather the business we are in, is gradually becoming more similar to Japan.

Looking at what kinds of roles are currently in demand in Japan, and where business clients are willing to invest in hiring, will serve as an important reference for the areas we aim to develop in the US.

That is why, when it comes to AI, I do not think we will see sudden dramatic changes. Instead, I believe we will see gradual shifts across various aspects.

For example, if the unemployment rate were to reach 10%, that would be an extremely serious situation. However, I do not think that is likely to happen. That is the point I am trying to make here.

Of course, I am not trying to avoid the issue. But realistically, if the unemployment rate were to reach 10 %, that is not something we as a company could solve. It would be a matter for the government or national policy. Still, we want to do what we can.

Some people may point to factors like reduced labor supply due to immigration restrictions, or the challenges that come with the introduction of AI, and say, 'this will be tough for Recruit.' I understand those views, but I think that is a very narrow and localized way of looking at the situation.

If you consider the entire size of the market, the number of jobs, and the number of industries involved, it is difficult to conclude that such factors alone would cause a massive impact.

It is like saying you are going to reduce the water level of Lake Biwa by 10%. That would be a significant undertaking. Or if you tried to change the color of Lake Biwa, you would need to ask what kind of effort or intervention would be required. I think that is the kind of discussion we are having.

So, when people say things like, 'this will be difficult' or 'this will be challenging,' I respect those as personal opinions, and I say, 'yes, that may be true.' But I do not believe the situation is quite that extreme.

And in response to the earlier question about whether we expect a V-shaped recovery, I do not think such a recovery is likely. However, even without a V-shaped recovery, we still intend to do our best through our own efforts.

Yamamura: Perhaps liquidity rises, or the type and quality of talent companies seek may change?

Arai: If things do not change, it will be difficult for either side to move forward. For those who want to work, the happiest situation is to be in a role where they are needed. And there will always be companies looking to hire people like that. As for us, we want to support those individuals. The question is, what kinds of services can help them in that process?

For example, when you go to a restaurant, when you go to a restaurant in the US, or wherever you go, everyone is struggling with a shortage of staff.

Yamamura: Understood.

Shen: We've passed one hour and we still have a number of hands raised. If you can stay until about 5:45 please feel free. Next is Tsusaka from Morgan Stanley Securities.

Tsusaka: I'm Tsusaka. Thank you for your time.

I'm not sure whether this is a simple or complex question, but Arai-san, you referred to a 'Deko-effect' regarding the improved growth/pricing that exceeded our expectations. I imagine that some leadership of Deko has moved into the Indeed organization, and that has contributed to higher growth and pricing.

I realise it's probably complex. Could you explain what is happening, what changed in the organization, and what changed in the product?

Arai: I don't know if it's appropriate to line up compliments that make him blush. But what I've heard from Indeed colleagues and people from major offices is: Working with Deko is fast.

He knows what he wants, and if you say 'decide', he decides quickly. He is clear about what he wants, so it's easy to work with him. So from the perspective of people working with him, they feel motivated, like "OK, let's do this."

In particular, the product and sales teams seem to be having very detailed and frequent meetings. They are working closely with Deko, receiving highly specific requests such as 'build this kind of product,' 'this one is not acceptable,' 'go ahead with this,' or 'focus your sales efforts on this area.' These requests are followed by concrete answers to their questions, and the cycle of communication is moving at a very fast pace.

This applies not only to matters related to revenue but also to cost reduction, and both areas are being driven in parallel.

Deko has said that tasks which do not contribute to revenue generation or cost reduction should be assigned to someone like me, while the rest of the team should focus on work that truly creates value.

Tsusaka: I think I got the overall picture. It really gave me a clearer sense of what the Recruit Way is all about. Thank you very much

Arai: Of course, job seekers are extremely important, and the way we provide value to them remains a core focus. At the same time, when it comes to how we earn appreciation from clients and generate strong revenue, Deko is truly a business-minded person in the best sense.

He is constantly thinking about how to achieve both goals at once, delivering value to job seekers while also ensuring clients are satisfied and willing to pay. I hope his approach continues to succeed. If you ever meet him, please ask him about it yourself.

Tsusaka: If the opportunity arises, thank you.

Shen: The next and final question will be from Nagao-san from BofA Securities, please.

Nagao: I am not quite sure if this counts as a single question, but it relates to your previous comments regarding ARPJ. You mentioned an expected increase in unit price in the second half. From a formulaic perspective, a price-driven increase would of course be a positive development.

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If this reflects improvements to the algorithm, higher bid prices, better product mix, and overall improved profitability, that would certainly be encouraging. However, if the number of job postings declines, or if the proportion of free listings falls as the market contracts, we could also see unit price rise as a residual effect, even if it is not a result of strategic pricing initiatives.

So I find myself a little unsure about how best to interpret your second-half projections.
Arai-san, is it correct to understand that you are primarily aiming for a price-driven increase in ARPJ? That is all from me.

Arai: If you are still thinking in terms of the previous Indeed model, I believe there is a possibility that six months or a year from now, the situation may turn out quite differently.

As I mentioned earlier, we are now introducing subscriptions, which are actually a relatively new offering for Indeed.

Taking all of that into account, our approach is to increase unit price by dividing total revenue by the number of jobs. This could include monetization from business clients whose jobs weren't previously being monetized. At the same time, for job postings that were already paid, clients may now choose to pay even more when they want to attract applicants more effectively or reach candidates more efficiently.

Therefore, regardless of how the total number of jobs changes, if more clients begin to see greater value in what we offer, the unit price should naturally increase.

So it is not simply that if the number of jobs decreases, ARPJ growth rate will automatically increase. That is not necessarily the case.

As I mentioned earlier, this KPI is quite a tough one for us. The reason is that our calculation includes revenue across all jobs, including jobs that have nothing to do with us yet. Even those jobs are in the denominator. So it all comes down to how we can monetize even those areas. That is why I say this is a difficult KPI to achieve.

This is also why tools like AI-based screening can be effective. These tools can be sold even to clients who historically did not advertise with us, such as well-known companies who already receive more than enough applications and even find it overwhelming.

These are customers we have not been able to work with before.

If we start seeing these kinds of developments, then in response to Mr. Nagao's somewhat skeptical question, I would say "no, that is not the case." This is exactly the kind of initiative that can raise our ARPJ growth rate.

Nagao: Yes, I understand what you are saying.

Even when the economy slows down and the number of job postings declines, the companies that remain, especially those that are struggling to hire or are seriously committed to securing talent, are likely to rely more on your services. As a result, whether it is through a higher ratio of paid advertising, increased unit prices, or even through subscriptions, the average revenue per job could rise.

So even in a weak economy, ARPJ can go up as the proportion of monetized listings increases. In that sense, you are setting yourself a challenging goal.

I do not know if this is the right way to put it, but I feel that you are deliberately choosing to take on a difficult target.

Please understand that I do not mean to sound skeptical. I just wanted to clarify that.

Arai: Recently, the business side has been saying that we are gradually starting to see tangible results, particularly among the new customer segments I mentioned earlier.

Deko also wants to maintain that trend, or rather that momentum, and continue pushing forward.
Since Deko believes in it, I think that is a good indication. Personally, I believe in it as well.

Nagao: That makes perfect sense. Thank you.

Shen: Thank you, everyone, for spending a long time with us. That concludes today's earnings call. Thank you very much.

Arai: Thank you for staying late.

[*1] The Indeed Job Postings Index is a representation of all jobs on US Indeed.com, excluding those that do not meet certain Hiring Lab quality and relevancy standards, and is intended to provide a consistent and reliable measure of US job posting trends over time.

Data on non-seasonally adjusted Indeed job postings are an index of the number of job postings on a given day, using a seven-day trailing average. The index is set to 100 on February 1, 2020. Data for several dates in 2021 and 2022 are missing and were interpolated.

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