

## FAQ's for Q1 FY2022

Recruit Holdings Co., Ltd.

### Q1. How much did exchange rate fluctuations impact each segment's results in Q1?

Our business results were positively impacted by exchange rate fluctuations in Q1 as the value of the Japanese Yen depreciated compared to the same period of last fiscal year. The table below shows the revenue, adjusted EBITDA, and YoY change in reported Japanese Yen and constant currency on a consolidated basis and for the HR Technology SBU, the Staffing SBU and its sub-segment *Europe, US and Australia*.

(In billions of yen)			Q1 FY2021	Q1 FY2022	YoY
Consolidated Operating Results	Revenue	Reported	664.7	843.1	26.8%
		Constant Currency	-	779.4	17.3%
	Adjusted EBITDA	Reported	131.4	152.3	15.9%
		Constant Currency	-	136.5	3.9%
HR Technology	Revenue	Reported	184.4	283.7	53.9%
		Constant Currency	-	239.5	29.9%
	Adjusted EBITDA	Reported	74.8	95.5	27.7%
		Constant Currency	-	80.6	7.8%
Staffing	Revenue	Reported	335.1	385.7	15.1%
		Constant Currency	-	366.1	9.2%
	Adjusted EBITDA	Reported	26.2	27.2	3.8%
		Constant Currency	-	26.3	0.0%
Europe, US and Australia	Revenue	Reported	188.2	220.5	17.2%
		Constant Currency	-	200.9	6.8%
	Adjusted EBITDA	Reported	10.1	10.5	4.1%
		Constant Currency	-	9.5	-5.7%

### Q2. What did you see in the global HR Matching market during Q1?

During Q1 FY2022, although many measures of labor market demand may have peaked, the labor market continued to remain historically tight in countries across the globe. While job openings growth continued to gradually slow, overall job openings and quits rates in the US remained near record highs, and well above pre-pandemic levels in many countries despite announcements of hiring freezes and layoffs, particularly in the tech sector. In the US the overall layoffs and discharges rate, which represents the percentage of employees laid off within a certain period of time out of the total workforce, remains well below pre-pandemic levels.

At the same time, while job seeker activity on Indeed in certain markets like the US continued to increase sequentially, growth in the labor force participation rate leveled off, following a partial recovery from COVID-19 pandemic lows with the unemployment rate returning to pre-pandemic lows. Overall, the number of job openings per unemployed worker in the US was at an all time high with nearly two jobs available for every unemployed person.

In Europe, in countries with high imports from Russia, job postings have, on average, declined during Q1 – likely impacted by the war in Ukraine. In countries with low imports from Russia, job postings have, on average, held steady, remaining high relative to historical levels.

In Japan, the jobs-to-applicants ratio continued its trend upwards during the quarter, while still remaining below pre-pandemic level. New job openings in Japan increased year over year, especially in dining, and lodging.

These labor market dynamics continued to reflect a significant imbalance in the labor market between open roles and job seekers looking for work in many countries, resulting in increased demand year over year, both for hiring products and services in HR Technology and for temporary staff globally in Staffing.

### **Q3. What's the latest trend on the labor market environment and its impact on the fiscal year revenue guidance for HR Technology?**

HR Technology revenue in July 2022 increased approximately 15% year over year, with the total number of jobs on our platform, both globally and in the US, increasing year over year. However, the revenue growth rate continued a deceleration in year over year monthly revenue growth seen over the course of Q1 FY2022 as we expected. And further, when we look at jobs posted directly on our platform by employers in the US, posted mostly by SMBs, we saw a year over year decrease in volume for the first time since early in the pandemic. We have also seen hiring slow down in certain sectors, like software development and human resources, that saw significant growth earlier in the COVID-19 pandemic.

We believe that the current situation, where the supply of workers is inadequate and interest rates are rising at an unprecedented rate, will continue to make the outlook truly uncertain, as there is no precedent for how quickly and to what extent the demand for hiring will decline. Given the recent trends in job posting activity and uncertainty regarding the potential severity and timing of a slowdown, we now believe HR Technology year over year revenue growth for FY2022 is more likely to be in the lower half of the approximately 10-20% USD guidance range we provided in May if these trends continue.

Also, in May, we announced HR Technology's plans to increase the number of employees in FY2022 by approximately 30% from approximately 13,000 at the end of FY2021. Headcount in HR Technology increased by more than 1,000 people in Q1. HR Technology intends to continue to hire this year, but will adjust its plans flexibly as the situation evolves while focusing on prioritizing roles that support long term growth.

### **Q4. What are the strategies and important KPIs of "Help Businesses Work Smarter" business strategy as explained in the presentation on July 12th?**

On July 12th, we presented the vision and strategy of "Help Businesses Work Smarter," one of our business strategies.

#### **Business Strategy**

Beginning in the current fiscal year we are changing the name of the "Media & Solutions" SBU and business segment to "Matching & Solutions" in order to better reflect the vision for this business which is centered on our matching platforms.

We develop online matching platforms by leveraging data and technology to connect individual users and business clients, and at the same time, we aim to simplify the entirety of running a business by replacing complicated administrative and operational processes with our SaaS solutions called "Air BusinessTools". We aim to increase business clients' operational efficiency and improve the overall performance of their business by building an ecosystem that enables them to more quickly and easily respond to more actions from individual users.

We plan to continue to evolve our ecosystem of solutions to "Help Businesses Work Smarter" by efficiently circulating the flow of people, goods and services, and payments within the ecosystem and expanding into fintech services.

#### **KPIs**

We measure our success using three KPIs: "the number of actions by individual users" on our matching platforms such as reservations and applications, "the number of registered accounts" utilizing our SaaS solutions<sup>1</sup>, and "the gross payment volume (GPV)" that accumulates as a result of the completion of payments.

In FY2021, the total number of actions by individual users was approximately 300 million<sup>2</sup>, an increase of approximately 10 times compared to 33 million<sup>2</sup> 10 years ago. The number of registered accounts using our SaaS solutions as of June 30, 2022 was approximately 2.64 million<sup>1</sup> which is a cumulative total from the approximately 20 SaaS solutions we provide. We currently expect annual GPV to reach approximately 1 trillion yen<sup>3</sup> in the fiscal year ending March 2023.

Please find more information on the website: [https://recruit-holdings.com/en/newsroom/20220712\\_0001/](https://recruit-holdings.com/en/newsroom/20220712_0001/)

\*1 Cumulative number of registered accounts of paid and freemium SaaS solutions provided by Matching & Solutions SBU in Japan (Registered accounts refer to the number of stores and business locations that have registered for each relevant service including both active and non-active accounts).

\*2 The total of the number of applications on Rikunabi NEXT, TOWNWORK, and RECRUIT AGENT, the number of individual users who were mediated to our business clients at SUUMO Counter, the number of online reservation on Hot Pepper Beauty, the number of hotel bookings on Jalan, the number of seats reserved on Hot Pepper Gourmet, the number of payments through AirPAY.

\*3 Assuming that a rapid deterioration of the economic environment will not occur in Japan, based on the GPV and the growth trend for the number of stores and business locations that have registered for the relevant services, the Company's current target is to achieve the GPV shown above for the period from April 1, 2022 to March 31, 2023. There is no guarantee that this target will be achieved, and actual results may differ materially from this target.

## **Q5. Please tell me about the progress made during FY2021 as well as the plans and challenges for FY2022 regarding “Prosper Together” based on the Business Strategy Presentation - ESG Fireside Chat held on June 28th.**

On June 28th, we presented the progress of FY2021, and the targets and challenges in FY2022 of our ESG commitment “Prosper Together”, one of our corporate strategic pillars.

### **Our Progress during FY2021**

In FY2021, the first year after the launch of our FY2030 ESG commitments, we identified the current status of each commitment and formulated a plan for future initiatives.

Please see our webpage ([https://recruit-holdings.com/en/newsroom/20220516\\_1502/](https://recruit-holdings.com/en/newsroom/20220516_1502/)) for the summary of our progress in FY2021.

After the above disclosure, in order to achieve carbon neutrality throughout our value chain by FY2030<sup>\*1</sup>, we committed to set science-based GHG emissions reduction targets (near-term), in line with the SBTi 1.5°C pathway<sup>\*2</sup> — which aims to limit the increase in global average temperature to less than 1.5°C compared to the pre-industrial era. In addition, we identified risks and opportunities from climate change in line with the TCFD Framework and disclosed them in our Annual Report for FY2021.

### **Target and Challenge in FY2022**

In FY2022, we will first accelerate our efforts in accordance with our plan for GHG emission reductions and increasing the women's representation ratio, for which we have established three-year targets<sup>\*3</sup>. For the two social impact goals, we plan to try various support measures using technology.

Please find more information on the website: [https://recruit-holdings.com/en/newsroom/20220628\\_0001/](https://recruit-holdings.com/en/newsroom/20220628_0001/)

\*1 GHG emissions from the entire value chain represents the sum of direct emissions from the use of fuels in owned or controlled sources (Scope 1), indirect emissions from the use of purchased electricity, heat, or steam in owned or controlled sources (Scope 2), and indirect emissions other than Scope 1 and 2 (Scope 3). Carbon neutrality includes reducing GHG emissions as well as offsetting the remaining emissions.

\*2 The GHG emission reduction target established in line with the science-based decarbonizing level of limiting global temperature rise to 1.5 °C compared to the temperature before the Industrial Revolution, which was reported by the Intergovernmental Panel on Climate Change (IPCC).

\*3 The GHG emission reduction target is based on the results from FY2022 to FY2024, the women representation target for employees is based on the results from April 1, 2022 to April 1, 2025, while the women representation target for members of the Board is based on the results from July 1, 2022 to July 1, 2025.

## Appendix

### Historical Results of Operations by Segment

(In billions of yen)		FY2020					FY2021					FY 2022
		Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1
<b>Consolidated Operating Results</b>												
	Revenue	475.4	569.1	611.5	613.1	2,269.3	664.7	701.1	746.0	759.7	2,871.7	843.1
	YoY %	-20.0%	-6.2%	0.5%	4.0%	-5.4%	39.8%	23.2%	22.0%	23.9%	26.5%	26.8%
	Adj. EBITDA	53.8	70.3	87.9	34.8	246.9	131.4	147.1	142.0	91.2	511.8	152.3
	Adj. EBITDA margin	11.3%	12.4%	14.4%	5.7%	10.9%	19.8%	21.0%	19.0%	12.0%	17.8%	18.1%
<b>HR Technology</b>												
	Revenue in million USD (\$)	689	973	1,095	1,235	3,993	1,683	1,948	1,986	2,034	7,653	2,187
	YoY % USD (\$)	-25.8%	-2.3%	8.8%	26.8%	2.2%	144.5%	100.1%	81.3%	64.7%	91.6%	29.9%
	Revenue	74.1	103.4	114.5	131.1	423.2	184.4	214.4	225.8	236.6	861.4	283.7
	YoY %	-27.5%	-3.1%	4.6%	23.3%	-0.4%	148.9%	107.3%	97.2%	80.4%	103.5%	53.9%
	Adj. EBITDA	7.8	14.7	26.7	21.1	70.5	74.8	92.3	78.5	77.5	323.3	95.5
	Adj. EBITDA margin	10.6%	14.3%	23.4%	16.1%	16.7%	40.6%	43.1%	34.8%	32.8%	37.5%	33.7%
<b>Matching &amp; Solutions</b>												
	Revenue	77.1	123.7	134.0	121.0	456.0	91.5	98.3	102.1	104.5	396.5	104.8
Marketing Solutions	YoY %	-27.1%	11.9% (-14.8%)	22.8% (-5.2%)	7.1% (-9.7%)	4.0% (-14.0%)	18.7%	-20.5% (4.3%)	-23.8% (-1.3%)	-13.6% (2.3%)	-13.0% (5.2%)	14.6%
	Revenue	55.1	48.5	52.1	58.2	214.0	56.5	57.5	62.8	72.4	249.3	72.6
HR Solutions	YoY %	-32.1%	-38.7%	-30.1%	-26.5%	-31.9%	2.7%	18.4%	20.5%	24.4%	16.5%	28.3%
	Revenue	132.9	172.8	186.8	179.3	672.0	151.8	157.8	168.5	180.3	658.6	180.4
	YoY %	-29.1%	-9.3% (-24.8%)	1.1% (-15.5%)	-7.0% (-16.8%)	-11.1% (-21.6%)	14.2%	-8.7% (10.1%)	-9.8% (7.9%)	0.6% (12.4%)	-2.0% (11.1%)	18.8%
	Adj. EBITDA	27.4	34.3	37.9	7.3	107.1	31.5	32.4	36.4	2.3	102.8	31.3
Total	Adj. EBITDA margin	20.7%	19.9%	20.3%	4.1%	15.9%	20.8%	20.5%	21.6%	1.3%	15.6%	17.4%
<b>Staffing</b>												
	Revenue	145.8	138.8	142.7	142.5	569.9	146.9	145.7	155.7	156.5	604.9	165.1
	YoY %	5.9%	-0.7%	-2.6%	-0.8%	0.4%	0.8%	4.9%	9.1%	9.8%	6.1%	12.4%
Japan	Adj. EBITDA	17.0	13.8	14.1	3.7	48.7	16.1	12.6	14.8	8.6	52.3	16.7
	Adj. EBITDA margin	11.7%	9.9%	9.9%	2.7%	8.6%	11.0%	8.7%	9.5%	5.5%	8.7%	10.1%
	Revenue	128.4	159.6	173.9	166.8	628.8	188.2	189.8	202.0	193.4	773.5	220.5
Europe, US, and Australia	YoY %	-26.6%	-10.2%	0.1%	8.3%	-7.6%	46.5%	18.9%	16.2%	15.9%	23.0%	17.2%

	Adj. EBITDA	2.9	8.6	10.6	5.2	27.5	10.1	11.3	13.7	5.7	40.9	10.5
	Adj. EBITDA margin	2.3%	5.4%	6.1%	3.2%	4.4%	5.4%	6.0%	6.8%	2.9%	5.3%	4.8%
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	Revenue	274.2	298.5	316.6	309.3	1,198.8	335.1	335.5	357.7	349.9	1,378.4	385.7
	YoY %	-12.3%	-6.0%	-1.2%	3.9%	-4.0%	22.2%	12.4%	13.0%	13.1%	15.0%	15.1%
Total	Adj. EBITDA	19.9	22.4	24.8	9.0	76.3	26.2	24.0	28.6	14.3	93.2	27.2
	Adj. EBITDA margin	7.3%	7.5%	7.8%	2.9%	6.4%	7.8%	7.2%	8.0%	4.1%	6.8%	7.1%

\* Figures in parenthesis represent YoY % in revenue excluding Rent Assistance Program by The Small and Medium Enterprise Agency of the Ministry of Economy in Japan from Q2 FY2020 to Q4 FY2020.

\* Beginning in Q1 FY2022, we changed the adjustment items for adjusted EBITDA and adjusted EPS. All the figures in the table above are based on the new definition.

### **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 enterprise clients' needs, competition, changes in the legal and regulatory environment, fluctuations in foreign exchange rates, 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.

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