

# FAQ's for Q4 FY2022

Recruit Holdings Co., Ltd.

## Q1. Please explain the results of Q4 and full-year for FY2022 in detail.

Consolidated revenue for FY2022 was 3,429.5 billion yen, approximately in line with the outlook announced on March 23, 2023.

Consolidated adjusted EBITDA for FY2022 was 545.0 billion yen, exceeding the outlook of 525.0 billion yen mainly due to the multiple cost control measures and savings initiatives including reductions in global advertising expenses implemented in HR Technology in Q4.

### HR Technology

Revenue for Q4 FY2022 on a US dollar basis decreased 6.7% to 1.89 billion dollars year over year as the supply and demand mismatch between job seekers and employers continued to ease, with global labor markets normalizing, particularly in the US. Indeed's total job openings in the US in Q4 were down 13% year over year, while paid job ads were down approximately 30%. Adjusted EBITDA margin for Q4 FY2022 decreased 2.3 percentage points year over year, as personnel costs grew more than revenue primarily due to hiring in the first half of this fiscal year. Despite implementing multiple cost control measures and savings initiatives, including reductions in global advertising expenses, the rise in expenses exceeded the increase in revenue. Adjusted EBITDA decreased 1.1% to 76.7 billion yen year over year.

For the full-year of FY2022, US dollar revenue increased 7.7% year over year, achieving the approximately 8% outlook as of February 13, 2023. By region, revenue in the US increased 4.9% year over year. Revenue outside of the US increased by 16.1% on a US dollar basis, or 30.8% on a constant currency basis. Adjusted EBITDA margin was 30.7%, exceeding the outlook of approximately 29%, with continued aggressive cost control measures, including reductions in advertising expenses, in Q4.

### Matching & Solutions

Revenue in Matching & Solutions for Q4 FY2022 increased 12.6% year over year to 203.0 billion yen with the recovery in the Japanese economy. Revenue in Marketing Solutions increased 14.1% year over year to 119.2 billion yen, and revenue in HR Solutions increased 11.6% year over year to 80.8 billion yen. Adjusted EBITDA margin in Matching & Solutions for Q4 FY2022 increased 8.0 percentage points year over year to 9.3% mainly due to a decrease in advertising expenses compared to Q4 FY2021, although strategic marketing investments for future growth continued. Adjusted EBITDA increased 702.2% year over year to 18.9 billion yen.

For the full-year of FY2022, revenue in Marketing Solutions and HR Solutions increased 13.9% and 19.3% year over year respectively, while the outlook as of February 13, 2023 was an increase of approximately 13% and approximately 18.5%, respectively. Adjusted EBITDA margin was 14.4%, in line with the outlook of approximately 14%.

### Staffing

Revenue for Q4 FY2022 increased 9.6% year over year to 383.6 billion yen. Revenue in *Japan* increased 14.0% year over year to 178.4 billion yen due to the continued increased demand for staffing services. Revenue in *Europe, US, and Australia* increased 6.1% year over year to 205.1 billion yen or decreased 3.3% on a constant currency basis as increased demand continued but demand in some areas in Europe and the US slowed down. Adjusted EBITDA margin increased 0.4 percentage points year over year to 4.5%. Adjusted EBITDA increased 20.0% year over year to 17.2 billion yen.

For the full-year of FY2022, revenue in *Japan* and *Europe, US, and Australia* increased 13.1% and 16.5% year over year respectively, while the outlook as of February 13, 2023 was an increase of approximately 13% and approximately 17.5%, respectively. Adjusted EBITDA margin was 6.5%, slightly higher than the outlook of approximately 6%

## Q2. Why did you decide not to disclose the Consolidated Guidance for FY2023 and disclose only the outlook for Q1 FY2023? Also, please explain the background of the dividend forecast for FY2023.

For FY2023, the Company expects consolidated revenue and adjusted EBITDA to decrease year over year as the size of the HR Matching market is expected to contract due to a deteriorating economic environment in the US and Europe and a resulting slowdown of hiring activities. However, since it is difficult to predict the scale and the duration of the market's contraction and the effect that will have on the Company's financial performance, the Company is not providing consolidated financial guidance for FY2023 at this time. Instead, the Company is providing only the outlook for Q1 of FY2023 for consolidated revenue and adjusted EBITDA within a range. With the assumption that there will not be a sudden slowdown in the economic environment, the Company forecasts consolidated revenue in Q1 will be 800 to 830 billion yen, adjusted EBITDA will be 140 to 160 billion yen and adjusted EBITDA margin will be approximately 17 to 19 percent. The foreign exchange rate assumptions for Q1 FY2023 are 130 yen per US dollar, 141 yen per Euro and 88 yen per Australian dollar. The Company expects to disclose consolidated guidance for FY2023 when it becomes reasonably feasible to do so.

We plan to pay a dividend of 23 yen per share, an increase of 1 yen per share compared to last year. We will continue the payment of stable per-share dividends to our shareholders, aligned with our capital allocation policy.

For FY2023, the following are the current assumptions regarding the business environment for each segment as of May 15, 2023.

### **HR Technology**

Revenue on a US dollar basis in April decreased 12% year over year. In Q1 of FY2023, assuming no sharp deterioration in the economic environment, revenue on a US dollar basis is expected to decline approximately 13.5% to 17.5% compared to Q1 of FY2022 when the market had been expanding, or flat to down approximately 5% quarter over quarter. Adjusted EBITDA margin is expected to be approximately 33% to 36% due to the implementation of cost reduction measures. However, the Company does not expect to maintain this level of Adjusted EBITDA margin throughout the year.

While revenue and adjusted EBITDA in HR Technology is expected to decrease in FY2023, the Company is currently not providing a full year revenue outlook for FY2023 due to the high degree of uncertainty regarding the macroeconomic environment and the speed of the potential contraction of the HR matching market, particularly after this upcoming summer. HR Technology has implemented cost reduction measures since the second half of FY2022, including the previously announced workforce reduction, which is expected to reduce employee benefit expenses by approximately 500 million dollars on an annualized basis in FY2023. We will continue to control costs flexibly by monitoring the business environment while balancing with investments in our long-term strategy. However, we don't expect to maintain the level of forecasted Adjusted EBITDA margin in Q1 throughout the fiscal year.

The total amount of share-based compensation in FY2023 is expected to be slightly above 700 million dollars.

Please refer to the Webcast and transcript for the progress of our Simplify Hiring strategy, which has been uploaded on the IR website on May 15, 2023 at 15:00 pm (JST).

### **Matching & Solutions**

For the FY2023 outlook for Matching & Solutions, the Company estimates an increase in revenue and adjusted EBITDA, based on the assumption that the current business environment in Japan will continue and will not experience a sudden slowdown. While the Company continues to invest for future growth, it will be prepared to respond quickly to the potential impact on the Japanese economy that may arise from the aftermath of a potential economic recession in the US and in countries around the world.

Based on this assumption, revenue for Q1 of FY2023 in Marketing Solutions is expected to increase approximately 8% and to increase approximately 10% in HR Solutions, and adjusted EBITDA margin to be approximately 23%.

For FY2023, the Company expects revenue in Marketing Solutions to increase approximately 4% and in HR Solutions approximately 6%. Adjusted EBITDA margin for FY2023 is expected to be approximately 20%. The Company will prioritize investments and scrutinize costs, while being prepared to act flexibly in an uncertain business environment. Also, the Company will continue to invest in technology infrastructure and core systems in FY2023.

The goal is to create an ecosystem that is essential and convenient to our business clients' operations in Japan by advancing the Help Businesses Work Smarter strategy, while evolving vertical matching platforms, SaaS solutions, and leveraging the "matching engine" in alignment with the Simplify Hiring strategy. Please refer to the Webcast and transcript for the progress of our Help Businesses Work Smarter strategy, which has been uploaded on the IR website on May 15, 2023 at 15:00 pm (JST).

### **Staffing**

In Q1 of FY2023, revenue in Japan is expected to increase approximately 12%, based on the assumption that a rapid change in the business environment will not occur. For Europe, US and Australia, the Company expects revenue to decrease by approximately 8% as the downward trend in revenue since the second half of FY2022 continues. Adjusted EBITDA margin is expected to be approximately 6%.

For FY2023, revenue in Japan is expected to increase approximately 9% year over year, based on the assumption that the business environment in Japan will continue and will not experience a sudden slowdown. For Europe, US and Australia, although the Company expects revenue will decrease in FY2023, but because of the uncertainty in the labor market environment and its impact to our business in Europe and the US, the Company has determined that it will not provide a full-year revenue outlook at this time. The Company will continue to promote operational efficiency and expects adjusted EBITDA margin to be approximately 6%.

Please refer to the Webcast and transcript for the details of FY2022 performance and FY2023 outlook, which has been uploaded on the IR website on May 15, 2023 15:00 pm (JST).

(in billions of yen)		FY2022 Q1 Actual	FY2023 Q1 Outlook	FY2022 Actual	FY2023 Guidance	
			<b>800.0 - 830.0</b>			
Consolidated	Revenue	843.1	<b>approx. -5.1% - -1.6% YoY</b>	3,429.5	<b>Not disclosed</b>	
	Adjusted EBITDA	152.3	<b>approx. -8.1% - +5.0% YoY</b>	545.0	<b>Not disclosed</b>	
			<b>140.0 - 160.0</b>			
HR Technology	Revenue (in millions of dollar)	2,187	<b>approx. -17.5% - -13.5% YoY</b>	8,243	<b>Not disclosed</b>	
	Adjusted EBITDA margin	33.7%	<b>approx. 33% - 36%</b>	30.7%	<b>Not disclosed</b>	
Matching & Solutions	Revenue	Marketing Solutions	104.8	<b>approx. +8% YoY</b>	451.5	<b>approx. +4% YoY</b>
		HR Solutions	72.6	<b>approx. +10% YoY</b>	297.4	<b>approx. +6% YoY</b>
	Adjusted EBITDA margin		17.4%	<b>approx. 23%</b>	14.4%	<b>approx. 20%</b>
Staffing	Revenue	Japan	165.1	<b>approx. +12% YoY</b>	684.1	<b>approx. +9% YoY</b>
		Europe, US and Australia	220.5	<b>approx. -8% YoY</b>	901.1	<b>Not disclosed</b>
	Adjusted EBITDA margin		7.1%	<b>approx. 6%</b>	6.5%	<b>approx. 6%</b>

### Q3. How has the size of the HR matching market changed since 2022? And how do you expect it to change in 2023?

We believe that the global HR matching market has expanded significantly again in 2022 after initially rebounding in 2021 from a contraction in 2020 due to the COVID-19 pandemic.

The Company believes that the past two years of significant growth in the HR matching market are reflective of a historically unique period in the global labor market brought upon by the economic recovery from the initial impact of the COVID-19 pandemic and how employers and job seekers reacted to the pandemic. While the Company expects that the HR Matching market will grow over the long term, the Company expects that the HR Matching market will contract in 2023 as labor markets, including employer and job seeker activities and expectations, adjust and normalize, and are likely to be negatively impacted by overall economic conditions.

The 2021 market size has been updated in definition and scope based on the latest reports published by SIA (Staffing Industry Analysts). The definition and scope of the Internal Recruitment Automation and Temporary Staffing markets has been revised by adding the estimated annual revenue of the Applicant Tracking Systems and the estimated annual internal spending by employers on Background Checks that can be reasonably automated and monetized by third parties to the Internal Recruitment Automation market, and adding an estimated annual revenue for each of the Talent Platforms, Staffing Platforms, Vendor/Freelancer Management Systems, and the estimated annual spending by employers on Managed Service Providers and Recruitment Process Outsourcing that can be reasonably automated and monetized by third parties to the Temporary Staffing market. In addition, other markets in 2021 have also been updated from the Company's initial estimate in the Q4 FY2021 Earnings Release as of May 16, 2022 based on information that became available after the publication.

(in billions of dollars)	2021 as of May 16, 2022	2021 Updated	2022
Job Advertising and Talent Sourcing	26	27	32
Direct Hire	45	55	61
Retained Search	31	36	42
Temporary Staffing (Net)	88	108	128
Internal Recruitment Automation	43	61	64
<b>Total Addressable Market</b>	<b>236</b>	<b>288</b>	<b>327</b>

We have estimated the total addressable market shown above based on third-party data and on our own market research, internal estimates and assumptions. Please refer to page 19 of the earnings release for FY2022 Q4 for details.

**Q4. How much did exchange rate fluctuations impact each segment's results in the three months and the fiscal year ended March 31, 2023?**

(in billions of yen)			Q1	Q2	Q3	Q4	FY2022
Consolidated	Revenue	Reported YoY	843.1 26.8%	878.4 25.3%	880.1 18.0%	827.7 9.0%	3,429.5 19.4%
		Constant Currency YoY	779.4 17.3%	787.9 12.4%	794.7 6.5%	780.5 2.7%	3,142.7 9.4%
Staffing	Revenue	Reported YoY	385.7 15.1%	400.2 19.3%	415.6 16.2%	383.6 9.6%	1,585.2 15.0%
		Constant Currency YoY	366.1 9.2%	370.6 10.5%	384.1 7.4%	365.5 4.5%	1,486.5 7.8%
Staffing Europe, US and Australia	Revenue	Reported YoY	220.5 17.2%	234.2 23.3%	241.1 19.4%	205.1 6.1%	901.1 16.5%
		Constant Currency YoY	200.9 6.8%	204.6 7.8%	209.6 3.8%	187.1 -3.3%	802.4 3.7%

**Q5. Regarding revenue of HR Technology, please tell us the growth rates excluding the impact of exchange rate fluctuations.**

(in millions of USD)		Q1	Q2	Q3	Q4	FY2022
US	Reported YoY	\$1,618 24.9%	\$1,610 9.2%	\$1,435 -2.0%	\$1,337 -10.1%	\$6,002 4.9%
	Constant Currency YoY	568 46.5%	563 18.9%	548 5.3%	560 2.4%	2,241 16.1%
Non-US	Reported YoY	637 64.2%	657 38.7%	629 20.7%	602 10.1%	2,526 30.8%
	Constant Currency YoY	2,187 29.9%	2,173 11.6%	1,984 -0.1%	1,897 -6.7%	8,243 7.7%
Total	Reported YoY	2,256 34.0%	2,267 16.4%	2,064 3.9%	1,939 -4.7%	8,528 11.4%
	Constant Currency YoY					

**Q6. Please explain the specific barriers that were addressed to help 3.9 million people get jobs toward your goal of "supporting employment for a cumulative 30 million job seekers facing barriers".**

In order to meet our goal of supporting employment for a cumulative 30 million job seekers facing barriers by FY2030, we worked to reduce common barriers that affect people globally such as education and disabilities, barriers that can cause prolonged periods of unemployment in the United States such as criminal records and experience in military services, as well as the lack of access to technology and transportation. We will work toward this commitment by making advancements in our platforms, partnerships, and through our own efforts within our organization.

For example, the barrier of education. Research shows that there are numerous cases where job seekers are not hired because they do not have sufficient educational background, even though the candidate has sufficient skills and experience. To understand the importance of college degree requirements when it comes to getting a job, we conducted a small-scale test where we stopped recommending education requirements as one of the screener questions that employers populate when they post jobs. The test was successful, with more employers advertising jobs without minimum education requirements. Since this was fully rolled out in the United States in May 2022, we observed a 37% decrease in the share of jobs requiring a college degree<sup>1</sup>. In addition, we found that job postings that do not require a college degree receive about at least 10%<sup>2</sup> more applications than similar job postings with a college degree requirement and are more likely to lead to successful hires.

Other barriers are also being addressed through products and partnerships. For more information, please see the following web page.

<https://recruit-holdings.com/en/sustainability/remove-jobmarket-barriers>

For more information on the progress of Prosper Together, our long-term strategy that includes the goal of "supporting employment for a cumulative 30 million job seekers facing barriers," please refer to the Webcast and transcript which has been uploaded on the IR website on May 15, 15:00 pm (JST).

<sup>1</sup> Hosted jobs on Indeed in the United States that included a college degree as at least one of the screener questions decreased from 22% in May 2022 to 14% in January 2023, a 37% decrease.

<sup>2</sup> Analysis revealed that within specific job titles, jobs that indicated that no college degree was required received 10% more applicants than jobs requiring college degrees.

**Q7. What kind of clarification of management requirements did the Matching & Solutions SBU undertake toward the goal of "achieving gender parity in managerial positions"? To what extent have the number of candidates for these roles increased?**

To increase women's representation, the Matching & Solutions SBU identified and reduced gender bias by clarifying the requirements for managerial positions and reevaluating what was previously thought of as must-have skills or necessary work styles. Following the implementation of these requirements in several organizations within Recruit Co., Ltd, the number of women candidates has increased by an average of 1.7 times<sup>1</sup>. Moreover, the number of men candidates has also increased by 1.4 times, indicating a move towards diverse leadership irrespective of gender.

Please see the following web page for information on our efforts toward gender equality in the Matching & Solutions business.

[https://recruit-holdings.com/en/blog/post\\_20230308\\_0001/](https://recruit-holdings.com/en/blog/post_20230308_0001/)

<sup>1</sup> As of end of September, 2022.

**Q8. What specific efforts are you making to reduce greenhouse gas (GHG) emissions?**

In order to reduce GHG emissions throughout our business (Scope 1 and 2), we saved energy in offices by promoting remote work, and by changing to renewable energy power. In addition, in order to be 100% renewable, a sufficient amount of Renewable Energy Certification (certificate showing the environmental value of electricity generated by solar power and others) which satisfies the criteria of RE100 has been secured for offices where the option to choose an electric power source generated by renewable energy is not available.

To reduce GHG emissions throughout our value chain (Scope 3), which account for more than 90% of Recruit Group's overall emissions, we are strengthening collaborations with partners in our value chain. We have especially focused on refining emission measurements with partner companies, and are considering more effective methods of reducing emissions. As a result, we were selected as a "Supplier Engagement Leader," the highest rating in the "Supplier Engagement Rating" by CDP.

Please see Recruit Group Profile p.35 for more information on partner collaboration.

[https://recruit-holdings.com/files/sustainability/data/Recruit\\_insideout2022\\_en.pdf](https://recruit-holdings.com/files/sustainability/data/Recruit_insideout2022_en.pdf)

## Appendix

### Historical Results of Operations by Segment

		FY2020		FY2021				FY2022				
(In billions of yen)		FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
<b>Consolidated Operating Results</b>												
	Revenue	2,269.3	664.7	701.1	746.0	759.7	2,871.7	843.1	878.4	880.1	827.7	3,429.5
	YoY %	-5.4%	39.8%	23.2%	22.0%	23.9%	26.5%	26.8%	25.3%	18.0%	9.0%	19.4%
	Adj. EBITDA	246.9	131.4	147.1	142.0	91.2	511.8	152.3	145.3	138.2	109.1	545.0
	Adj. EBITDA margin	10.9%	19.8%	21.0%	19.0%	12.0%	17.8%	18.1%	16.5%	15.7%	13.2%	15.9%
<b>HR Technology</b>												
	Revenue in million USD (\$)	3,993	1,683	1,948	1,986	2,034	7,653	2,187	2,173	1,984	1,897	8,243
	YoY % USD (\$)	2.2%	144.5%	100.1%	81.3%	64.7%	91.6%	29.9%	11.6%	-0.1%	-6.7%	7.7%
	Revenue	423.2	184.4	214.4	225.8	236.6	861.4	283.7	300.5	280.5	251.3	1,116.1
	YoY %	-0.4%	148.9%	107.3%	97.2%	80.4%	103.5%	53.9%	40.1%	24.2%	6.2%	29.6%
	Adj. EBITDA	70.5	74.8	92.3	78.5	77.5	323.3	95.5	91.2	78.8	76.7	342.3
	Adj. EBITDA margin	16.7%	40.6%	43.1%	34.8%	32.8%	37.5%	33.7%	30.4%	28.1%	30.5%	30.7%
<b>Matching &amp; Solutions</b>												
Marketing Solutions	Revenue	456.0	91.5	98.3	102.1	104.5	396.5	104.8	111.9	115.4	119.2	451.5
	YoY %	4.0% (-14.0%)	18.7%	-20.5% (4.3%)	-23.8% (-1.3%)	-13.6% (2.3%)	-13.0% (5.2%)	14.6%	13.9%	13.1%	14.1%	13.9%
HR Solutions	Revenue	214.0	56.5	57.5	62.8	72.4	249.3	72.6	70.2	73.7	80.8	297.4
	YoY %	-31.9%	2.7%	18.4%	20.5%	24.4%	16.5%	28.3%	22.2%	17.5%	11.6%	19.3%
Total	Revenue	672.0	151.8	157.8	168.5	180.3	658.6	180.4	185.2	191.9	203.0	760.6
	YoY %	-11.1% (-21.6%)	14.2%	-8.7% (10.1%)	-9.8% (7.9%)	0.6% (12.4%)	-2.0% (11.1%)	18.8%	17.3%	13.9%	12.6%	15.5%
	Adj. EBITDA	107.1	31.5	32.4	36.4	2.3	102.8	31.3	27.9	31.6	18.9	109.8
	Adj. EBITDA margin	15.9%	20.8%	20.5%	21.6%	1.3%	15.6%	17.4%	15.1%	16.5%	9.3%	14.4%
<b>Staffing</b>												
Japan	Revenue	569.9	146.9	145.7	155.7	156.5	604.9	165.1	166.0	174.4	178.4	684.1
	YoY %	0.4%	0.8%	4.9%	9.1%	9.8%	6.1%	12.4%	14.0%	12.1%	14.0%	13.1%
	Adj. EBITDA	48.7	16.1	12.6	14.8	8.6	52.3	16.7	14.9	15.7	8.2	55.7
	Adj. EBITDA margin	8.6%	11.0%	8.7%	9.5%	5.5%	8.7%	10.1%	9.0%	9.1%	4.6%	8.2%
Europe, US, and Australia	Revenue	628.8	188.2	189.8	202.0	193.4	773.5	220.5	234.2	241.1	205.1	901.1
	YoY %	-7.6%	46.5%	18.9%	16.2%	15.9%	23.0%	17.2%	23.3%	19.4%	6.1%	16.5%
	Adj. EBITDA	27.5	10.1	11.3	13.7	5.7	40.9	10.5	12.9	14.0	8.9	46.4
	Adj. EBITDA margin	4.4%	5.4%	6.0%	6.8%	2.9%	5.3%	4.8%	5.5%	5.8%	4.3%	5.2%
Total	Revenue	1,198.8	335.1	335.5	357.7	349.9	1,378.4	385.7	400.2	415.6	383.6	1,585.2
	YoY %	-4.0%	22.2%	12.4%	13.0%	13.1%	15.0%	15.1%	19.3%	16.2%	9.6%	15.0%
	Adj. EBITDA	76.3	26.2	24.0	28.6	14.3	93.2	27.2	27.9	29.8	17.2	102.2
	Adj. EBITDA margin	6.4%	7.8%	7.2%	8.0%	4.1%	6.8%	7.1%	7.0%	7.2%	4.5%	6.5%

- \* Figures in parentheses 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 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.

### ***Third-Party Information***

This document includes information derived from or based on third-party sources, including information about the markets in which the Company operates. These statements are based on statistics and other information from third-party sources as cited herein, and the Company has not independently verified and cannot assure the accuracy or completeness of any information derived from or based on third-party sources.