Recruit Holdings Q1 FY2020 Earnings Call August 26, 2020

Moderator I'm from the IR Department and I will serve as the moderator. Today, we have Junichi Arai, Executive Officer of Capital Market Strategies; and Yasushi Hashimoto, Senior Manager, Disclosure and Individual Investor Relations Department. Arai-san will briefly go through Q1 FY2020 results we announced at 3:00 PM and proceed to the Q&A session.

This call's a simultaneous translation of the original call in Japanese and translation is provided for the convenience of investors only.

Now I'll turn over the call to Arai-san.

Arai: Thank you for your participation today.

As Minegishi-san mentioned in the FY2019 results announcement call in May, our main priority is ensuring the safety of our employees and their families, as well as individual users, enterprise clients, and business partners, while preventing the spread of COVID-19.

In Japan, after the government's declaration of a state of the emergency was lifted, we acted immediately by continuing to recommend all employees work from home.

In our global locations, we are working to ensure the safety of employees by following government health and safety guidelines in each country and region.

Today, I would like to discuss the consolidated results of operations, results of operation by segment, and update on our recent business operations for Q1 FY2020. When we explain the changes in revenue in percentage, it means it is on a YoY basis.

First, consolidated results of operations. The global spread of COVID-19 and measures to help prevent the spread had a broad impact on business performance in Q1. As a result, revenues declined in all three segments and consolidated revenue was JPY475.4 billion, a decrease of 20% YoY.

Consolidated adjusted EBITDA was JPY53.4 billion, a decrease of 38.8% YoY, and adjusted EPS decreased by 47.5% to JPY17.49, which are our key management targets.

In the face of significant uncertainty, we took swift actions by enacting cost controls as we mentioned in the full-year results call in May. As a result, SG&A expenses decreased by JPY44 billion YoY mainly due to strategic reduction in marketing expenses, such as advertising and sales promotion expenses, and a decrease in sales commissions.

Revenue in each segment was higher in July than in June, and monthly consolidated revenue in July exceeded that of June. However, July monthly YoY revenue decreased by 15%, slightly worse than June.

The status of the spread of COVID-19 differs in each country and the global economic outlook remains uncertain, and lockdowns and other restrictions may continue or may be implemented again in many countries.

Therefore, we believe that the global spread of COVID-19 will continue to have a significant adverse impact on our financial performance in Q2 FY2020 and beyond, and it is uncertain whether recent positive trends will continue after August.

As a result, we are not providing consolidated financial guidance for FY2020.

Next, I will talk about the results of operations by segment and provide an update on our recent business operations.

First is HR Technology. Revenue in HR Technology declined 25.8% YoY on a US dollar basis. Restrictions and social distancing measures put in place to limit the spread of COVID-19 forced many businesses around the world to pause operations, and caused enterprises to turn cautious on hiring due to the economic uncertainty.

At the same time, job seekers adjusted their search behavior in response to health concerns and broad economic uncertainty, resulting in a significant decline in job seeker activity on Indeed and Glassdoor.

However, during the latter half of Q1, HR Technology saw a partial recovery of employer and job seeker activity, particularly in the US, as restrictions were lifted and businesses resumed their activities. As a result, revenue thus far during the COVID-19 pandemic hit a low point in April and gradually improved in May and June.

In July, revenue in HR Technology continued to improve to a YoY decline of approximately 7% on a US dollar basis. Revenue has recovered more quickly than we anticipated, particularly in the US.

In addition, Indeed's monthly unique visitor traffic in July rebounded to pre-COVID-19 levels. However, we are treating these recent positive trends very cautiously due to the risk of additional forced closures by changes in future status, and the resulting impact on hiring and job seeking activity.

Adjusted EBITDA in HR Technology declined by 59.4% YoY to JPY7.8 billion and adjusted EBITDA margin was 10.6%.

In reaction to the significant decline in revenue and the mid to long-term economic uncertainty, HR Technology continued to control costs by reducing investments in sales and marketing while maintaining its hiring pause.

However, despite the challenging business environment, HR Technology continued to invest in innovative and differentiated product enhancements, including services tailored to support job seekers and employers as they adjust their mindset about what processes and activities can and will be done virtually.

Next, I will talk about the results of Media & Solutions. Revenue was JPY132.9 billion, a decrease of 29.1% YoY, and revenue in both Marketing Solutions and HR Solutions declined. Adjusted EBITDA was JPY27.3 billion, a decrease of 45.4% YoY and adjusted EBITDA margin was 20.6%.

Based on our experiences and learnings from responding to rapid changes in business environments since our founding, Media & Solutions implemented cost controls at an appropriate level, mainly by reducing marketing expenses.

Monthly revenue declined YoY in April, May, and June 2020. However, the YoY decline of monthly revenue in June improved from May. Revenue in July continued to improve from June, decreasing 26% YoY, which exceeded the YoY growth rate for June. As economic activity resumed after June, the number of enterprise clients' advertising and hiring has been increasing.

In Marketing Solutions, in particular, revenue in Bridal, Travel, and Dining declined significantly YoY. However, revenue in Housing and Real Estate and Beauty declined in the single digits. In Marketing Solutions, revenue was JPY77.1 billion, a decrease of 27.1% YoY. Adjusted EBITDA was JPY17.2 billion, a decrease of 44.1% YoY due to declined revenue, and adjusted EBITDA margin was 22.3%.

In July, Housing and Real Estate and Beauty began to show signs of revenue recovery, while Bridal, Travel, and Dining continued to be severely impacted, and the outlook for these businesses remains cautious.

However, despite the challenging business environment, we continued to see strong demand for Air BusinessTools, as the number of AirPay accounts continued to grow steadily, as individual users' preference for contactless payments increased.

In HR Solutions, revenue was JPY55.1 billion, a decrease of 32.1% YoY. Adjusted EBITDA in HR Solutions was JPY14.9 billion, a decrease of 36.6% YoY due to declined revenue, and adjusted EBITDA margin was 27.1%.

The overall demand for hiring in Japan sharply decreased, resulting in a significant decline in revenue in the job advertising businesses. However, the negative impact on revenue in the placement business was minor, because the placement business benefited from engagements that began prior to Q1 as the business operates on a performance basis where revenue is recognized when a candidate is hired by an enterprise client.

As a result, going forward, we expect the business performance of HR Solutions will be impacted by this declining trend in Q1 hiring activity.

The outlook for Media & Solutions overall continues to be uncertain.

Next, I will talk about the results of Staffing. Revenue was JPY274.2 billion, a decrease of 12.3% YoY. Adjusted EBITDA was JPY19.8 billion, an increase of 0.2% YoY and adjusted EBITDA margin improved to 7.2%. Revenue in July declined approximately 10% YoY.

Revenue in Japan operations was JPY145.8 billion, an increase of 5.9% YoY. Despite a decrease in the number of operating hours of the temporary staff due to the suspension of businesses and decreased overtime work, revenue increased mainly due to an additional two business days in the quarter compared to the previous year and increased billing prices following the implementation of the equal pay for equal work regulations beginning April 1, 2020.

Adjusted EBITDA for Japan operations are JPY17.0 billion, an increase of 44.7% YoY. This improvement was mainly due to increase of revenue and ongoing cost control measures, which included reductions in travel costs, all while continuing to monitor costs in relation to labor market supply and demand. Adjusted EBITDA margin was 11.7% in Q1 2020.

Monthly revenue for July in Japan operations declined 3% YoY, mainly due to one less business day compared to July 2019 and less demand from enterprise clients for temporary staff.

Revenue in Overseas operations was JPY128.4 billion, a decrease of 26.6% YoY. This was primarily due to restrictions on enterprise clients’ business operations related to government-mandated lockdowns and uncertainty about the future, which led to a significant decline in demand from enterprise clients for temporary staff.

Although the operating environment and results differed by country within Overseas operations, YoY declines in monthly revenue were seen in all geographies, with gradual improvement throughout the quarter.

Adjusted EBITDA was JPY2.8 billion, a decrease of 64.8% YoY, and adjusted EBITDA margin decreased to 2.2%.

Even in an uncertain global economic environment, Overseas operations maintained a positive adjusted EBITDA margin by taking prompt and appropriate actions in response to labor market trends and government measures in each overseas market, and by strengthening ongoing cost-control initiatives.

Monthly revenue for July decreased 16% YoY, and the YoY revenue decline worsened compared to June. Enterprise clients remained cautious about their business outlook. Therefore, revenue has not seen signs of a steady recovery.

That concludes my explanation of our Q1 financial performance by segment.

At this moment, due to the significant uncertainty that remains, it is difficult to estimate how long it will take for revenue to recover to pre-COVID-19 levels. We are focused on executing our business strategy with a mid to long-term perspective, not short term; closely monitoring current business trends in Japan and overseas and how they will impact our business.

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

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

Now we will take your questions.

Question & Answer

Moderator: Now we would like to proceed to the Q&A session.

Nomura Securities. Mr. Nagao, please.

Nagao: Hello. This is Nagao from Nomura Securities. First, is a rather detailed question. So the non-operating loss cost, JPY9.8 billion, is being posted. So, in your explanation, you said the sales of subsidiaries and the COVID-19 incurred cost. So this loss on sales of subsidiary and the COVID-19 cost, what is the breakdown and what are the items? So that's my first question. Could I continue on?

Moderator: Yes, please.

Nagao: My second question is earlier, you talked about a July HR Technology revenue on a YoY basis is now back to minus 7% in terms of category or the way it is recovering, so, unit price is starting to rise? Or the job seekers traffic is recovering or coming back? If the unit price is coming back, then which area, which industries are seeing a recovery? Could you elaborate on the details of this minus 7%? Thank you very much.

Arai: So your first question is already posted on the website. It's a frequently asked question and we answered. It's question No. 3. So I hope you could take a look at it as well. So JPY3.5 billion is COVID-19 related costs. In addition, JPY3.1 billion is the sale of business, loss on sale of business. It's the unrealized foreign exchange loss. The asset that we sold is the Treatwell, the business in Europe.

And your second question, HR Tech, YoY number is now back to minus 7%. Basically, the biggest driver is volume recovery. Of course, it dropped significantly and now it's coming back. So it's not so much the unit price. It's the volume that's coming back. And with the support fading out, the job seekers are coming back too. So, basically, the volume is coming back.

Nagao: Thank you very much for your response.

Moderator: Mr. Kinoshita of Merrill Lynch, please.

Kinoshita: This is Kinoshita of Merrill Lynch. Regarding the revenue for July, overall, as I heard earlier, it was better compared to June on a YoY basis. However, in your earlier explanation, if I recall, what was worsening, I believe it's the staffing. And there's also a possibility of worsening in Japan operation, if I understand you correctly. May I confirm whether my understanding is correct? That's the first question.

Arai: First of all, as far as Japan operations from the second quarter and beyond, yes, I did mention that there would be such a possibility. So I was not only referring to July alone, but the minus 15% break down is as follows. As was already mentioned, in terms of revenue, the Staffing operations accounts for a large portion. Therefore, a fluctuation in the Staffing services revenue will have a huge impact on a consolidated basis. With that in mind, of course, the Overseas operations, if the revenue declines greatly, then it will impact the overall numbers.

Kinoshita: Understood. Thank you. And next, regarding HR Technology and Staffing, I have a few questions. Regarding Overseas Business, if you are seeing any difference in terms of trends geographically, for example, for HR Technology, the US, Europe, are there any differences in the trends? Please elaborate.

Arai: Are you asking by segments whether there's any geographical difference or regional difference?

Kinoshita: Yes.

Arai: As I said before, for HR Technology, the US market is recovering faster than we initially anticipated. Therefore, the US is showing great signs of recovery. As for countries in Europe, there are some slight variations, but enterprise client businesses have started operations in some markets. And those are markets where we're seeing faster recovery speed.

As for Staffing, in our disclosure, we divide by Japan and overseas. Even pre-COVID-19 and the drain in Covid-19 pandemic, as we've mentioned, demand in the European market continues to be weak. This is certain.

Kinoshita: Just to confirm, so initially, the HR Technology rather than the US, you were seeing bigger growth outside of the US, but the latest data is showing that the US is actually showing better YoY figures. So the US is relatively better compared to outside the US.

Arai: I think it depends where you put your focus. So it's difficult to say. But in terms of recovery, well, first of all, we haven't shared with you the levels of decreases we are seeing in various places. So it's difficult to generalize. But one thing for certain is that everywhere, we are seeing a decrease, but the speed of recovery is faster in the US.

Kinoshita: Thank you.

Moderator: JPMorgan, Ms. Mori, please.

Mori: Thank you. My first question is regarding Indeed Hiring Lab, issues of data. And in FAQ, you're referring to that. In August, the trend where the recovery improvement had continued, it seemed to have slowed down in August. For the past few weeks, the revenue and the number of posting cases are not directly correlated. I understand, but the vector, the direction, or the trend, is there a possibility of them diverging? So the industry where you can increase, where the posting is increasing, are you capturing it effectively to minimize the decline in revenue? So, if you could share with us your concrete measures, I'd appreciate it. So that's my first question.

Arai: As I have explained from the past, job postings, there are paid and unpaid. So it is not directly correlated with the revenue. That is the business model. So what we are saying now is the status up to July. And so we are still ongoing, in progress. So we hope to be able to explain again in the near future. Before COVID-19, looking at the chart pre-COVID-19, it was a flat line, but revenue was still growing. So, just because it's flat does not mean revenue does not grow. It's rather how many customers are paying seriously to post jobs. That's the key. So this chart alone does not show our revenue trend. Thank you.

Mori: And you disclosed the industries. So the number of jobs and the revenue is not a similar trend? Same story there?

Arai: And the location is also involved, so.

Mori: Understood. Second question is cost control. First quarter, the marketing expenses, advertisement expenses were cut by half. On a quarterly basis, in the fourth quarter, you spend much, you spend more. So from the first to third quarter, you used evenly last year. So how much room do you have for a reduction? In the first quarter, the economic activity stopped, so you stopped. And from there, are you gradually resuming the marketing activity? How are you trending?

Arai: Kitamura-san's team is monitoring this every day and thinking about the right move. If the business environment is recovering and by spending more cost to stimulate it, if we think our business with the customers will increase, if we think that will be the case, then yes, there's a good possibility we will resume the investment. And because if we invest after things activate, it's pointless. So we will start early and try to ascertain the right timing.

So are we going to do it during this quarter or the next quarter? The business side is watching closely. We cannot just keep the tab closed. So we have to do it at the right timing, at the right range and not only short term. And if this contributes to our mid to long-term growth, we will do it. So we will keep that direction and do our investment accordingly.

Mori: Thank you very much

Moderator: Mr. Tsuruo of Citigroup.

Tsuruo: Yes. Thank you. My first question is the same as others regarding HR Technology. Just want to confirm, minus 7% for July. Is this for the US alone? If that is the case, then what is the situation globally? And recovery-wise, how much recovery will come from increased share? I apologize for asking many questions.

The second question is I wanted to ask about cost reduction, but that was covered already by the previous person. So I want to ask about M&A opportunities. The market environment, mostly in the finance sector is showing signs of stabilization. So funding has become more stabilized as well. So how do you view M&A opportunities at this time? What about the pipeline at this time?

Arai: In response to your first question regarding the minus 7%, that's for the entire HR Technology Business. And as for acquiring more shares, that is a rather difficult question. How much the pie has shrunk since that, there is no concrete survey or data available. So we're not quite sure how we should look at the share. As far as our business is concerned, enterprise clients are coming back who are willing to spend on advertisement. But other companies, as for the overall market, we have yet to ascertain the overall trend. Hopefully, we will be able to capture a bigger share in the customer's wallet, and that will ensure a strong recovery later on. As we have been explaining, this is in alignment with the implementation of a medium- to long-term strategy.

As for M&A opportunities, before the emergence of COVID-19, we were, of course, on the lookout for good opportunities. Any good opportunities, add-on, software services, these are something that we are always interested in and continue to monitor. And this has not changed even during this COVID-19 pandemic.

Of course, there is the pricing and counterparties that need to be considered in pursuing and executing on such opportunities. But continue to look out for small to medium-sized opportunities. We will continue to monitor for such opportunities. However, there is nothing concrete that I can share with you today.

Thank you. That's all for me.

Moderator: SMBC Nikko Securities, Mr. Maeda, please.

Maeda: Yes. Thank you very much. So I have just one question. You mentioned the sale of Treatwell. So what was the background to the sale and the impact going forward, please? For example, in the background, you will focus more investment on HR Technology and, therefore, you were reviewing the overall portfolio, or COVID-19 impact, or impact on EBITDA from the sales? Those are the points I would like to know. Thank you.

Arai: About three months ago, we talked about the Treatwell Business in Media & Solutions, strategy changes, and, more specifically, Air BusinessTools in Japan will be our focus. That's what we said. And as a result, we revisited the business plan on Treatwell to go more on the solid trajectory rather than aggressive trajectory. And this changed the future projection. This resulted in impairment loss. So we already explained that.

So, we planned on maintaining this business and cultivating this business in our portfolio. But then, one company approached us and this was very sudden, and we thought, if that is the case, we judged that this was a company that could manage the company better. So, we sold the company at the end of June.

So it was Media & Solutions Business portfolio, realignment and changes in the focus of a mid- to long-term focus. So this is in others, under the Marketing Solutions. So now, this business is deconsolidated. Revenue or EBITDA impact, it was a relatively small business, and the impact was not so big, so we did not disclose the impact. Thank you very much.

Moderator: Mr. Tsusaka of Morgan Stanley, please.

Tsusaka: Yes. Regarding the HR Technology, I apologize, my question is also regarding that segment. I just have one question. The Hiring Lab numbers, something we are also closely following, the free postings increasing, we're seeing signs of recovery. Even so, with free postings increasing, we initially thought that unit price would be lower, but the revenue is showing smaller decline compared to the number of postings. So I would say the unit price is increasing. Even if that's not the case, perhaps for specific industries, placement has been successful. And maybe from those specific industries, from specific clients, you are able to get more money.

If that is the explanation, it doesn't make sense. The decline in revenue and the number of postings are not correlated. There's no explanation for that. So my hypothesis is that you have payments coming in from good clients that are reflected in this number. I just want to confirm whether my understanding is correct.

Arai: Mr. Tsusaka, the minus 7% is the level that we have recovered to. So, even if some customers or some clients paid more, this would not account for this level of recovery. Some clients contributing far more than others would not explain this level of recovery. But as for the number for July, it's minus 20% YoY. I believe that's the figure for July. So perhaps the US is rebounding, but Europe and Japan, if we look at the numbers for these markets, recovery is not as great as in the US.

Tsusaka: So, considering that, I'm not quite sure what is happening here. That is my question.

Arai: Well, making judgments based on the numbers for a single month alone would be difficult because there are some irregularities, different days in a month, so it's difficult to say. But as you rightly said, the US recovery is bigger than other regions. That is a fact. However, people seeking jobs are increasing and clients are paying in order to capture and hire people. So I think your point was that whether the unit price was higher for some clients who are looking to hire people, but if they're not willing to pay as much, then if volume continues to recover, then we believe we will be able to recover to the level close to the previous-year level. But, again, it's difficult to say based on the numbers from July alone. We've seen recoveries since April, and this is continuing in July. Whether we will continue to recover to the level that is even, we still need to remain cautious. Thank you.

Moderator: Mizuho Securities, Mr. Kishimoto, please.

Kishimoto: Thank you. This is Kishimoto. First, with April, May, June, HR Technology in the full-year results, you talked that minus 35% is the YoY for April. In the first quarter, May and June, you said you saw an improvement. So the pace of improvement in May and June, how big was the improvement? Minus 7% is the level you've come to July, and I want to see what the curve looks like. So that's my first question.

Second question. Media & Solutions. The placement business In the HR Solutions in Japan. So what's the size of the revenue? So placement may be difficult going forward, so what is the revenue decline impact? So I want you to explain the revenue breakdown. Thank you very much.

Arai: April, May and June, actual revenue decline percentage cannot be disclosed. It's not linear. The recovery in June is bigger. So that's how I want you to understand. So April, May, and then up in June and July.

And your second question, Media & Solutions, we have HR Solutions and the revenue breakdown is not disclosed either. So I hope you could understand. But in placement, I think placement accounts for a significant portion. Or I would like you to guess.

Kishimoto: Yes, I will do that. Thank you.

Moderator: Mr. Fukuyama of UBS, please.

Fukuyama: Yes. Thank you. My first question is regarding the other in Marketing Solutions. What is the breakdown? Where did you see an increase in revenue? I want to have a more granular understanding of this.

The Study Sapuri, I believe, increased by two times or more. So I guess, the biggest contributor to this increase in revenue came from Study Sapuri. On the other hand, Air BusinessTools, I imagine, had a slight decrease. So if I could have some qualitative understanding of this.

Moderator: Do you have a second question?

Fukuyama: Yes. My second question is regarding the Japan operations of Staffing. I think the margin for Q1 was 11%. This is a significant number. Equal pay for equal work regulations will be fully implemented. So what will be the impact on the margin? In other companies' cases, they say that their operating margin may decrease by 0.5 points. And maybe companies are taking different approaches and responding to the regulations. So could you give us the outlook of this?

Arai: Yes. So, regarding the Marketing Solutions, the other in that segment, we do not disclose the breakdown. Therefore, I am not able to give you the breakdown. But given the current COVID situation, Study Sapuri and the other services are gaining a lot of attention from customers and consumers, and demand is strong. We will continue to, therefore, provide services that capture that demand.

As for Air BusinessTools, as I said before, we are seeing strong inquiries and demand for these tools as well. We do not also disclose the breakdown of revenue of this, but the other segment in the Marketing Solutions continues to be strong.

As for domestic operations, the margin outlook is this. As I said before, in July, it was minus 3% or so. In other words, they turned to the negative domain. For that month, the revenue or top line is decreasing. We will, therefore, continue to control costs.

On the other hand, for workers and customers, we must continue to provide excellent services. So, where necessary, there may be costs that we will spend. In that case, our margin may be negatively affected. In any case, revenue is going to slightly decrease. And we have certain expenses that need to be paid, and the remaining amount will be margin. It is not a significant change from our initial expectation. But in any way, the fluctuation in revenue is going to affect the future margin. Thank you.

Moderator: Nomura Securities, Mr. Nagao, your second time, please.

Nagao: This is Nagao from Nomura Securities. So this COVID-19 is an extraordinary situation. Once the infection COVID subside, then a certain level of demand will surely come back. So this will be a qualitative question. But under this COVID environment, because we're in the situation, are there areas that you can increase your resources like Air BusinessTools and Study Sapuri?

So, under this environment, in establishing new businesses outside of HR Tech, what kind of efforts are you making in building new businesses? Bridal and Travel are difficult. So, in establishing new businesses, how much resource are you injecting in Air BusinessTools or Study Sapuri? Because we're in this environment, are there any businesses you're trying to set up anew? I'm sorry, this is a qualitative question, but in Media & Solutions, what is an effort to create the next growth driver?

Arai: Regarding the new initiatives, we hope to announce in the second-quarter results. If we can do that, we would very much like to do that. Today, we did not refer to that, which means there's nothing we could share with you at this moment. But a new environment is an opportunity to build new businesses. So, as you know very well, many Japanese customers of ours are small and medium sized. So the key is how much support we can offer to their troubles and inconveniences. This is not our foundational business, but your team support is based on our policy.

So, going forward, Air BusinessTools will be our foundation and think of how we can support our customers. As already been mentioned, data in Air BusinessTool, data is already accumulated in AirREGI. And we hear voices that it's much more convenient now.

The tool that was made for a different purpose under this environment is used for a different purpose or by different customers. So we want to use such movements as a feed for our new businesses. So we are studying them and trying to take a move. I cannot share with you anything today, but in November, if we could share something with you. It will be great.

Nagao: Thank you. I understand.

Moderator: Mr. Kato of CLSA.

Kato: Yes, this is Kato of CLSA. First is about HR Technology. To the extent possible, Glassdoor and Indeed situations are what I'm interested in. So I believe Glassdoor receives consulting fees on an annual contract. So decline in revenue is not as big in the HR Tech for Glassdoor. So I want to confirm whether that's true and whether it continues to incur losses? That is my first question.

The second question is about guidance. There are still many uncertainties. And you mentioned it's difficult to have guidance at this time. But what are some KPIs that you need in order to have this guidance available?

Arai: As for Glassdoor, as we've been saying from before, it's part of the HR Technology SBU. So taking that out of the SBU and giving information on that business specifically is not something we do. But as I said before, from around May, we have implemented some changes in operation, especially as we are driving further integration of Indeed and Glassdoor of providing support mutually.

So costs cannot be clearly separated between the two businesses. Whether Glassdoor is incurring losses or not, that is not our focus because of the given situation. Going forward, how we can serve the existing customers and new customers, provide Indeed products to them and at the same time, introduce Glassdoor products, those are mostly for large enterprises, so those are some actions that will be implemented and to some extent, that is already ongoing.

For example, the January situation of Glassdoor, and Glassdoor how it is positioned today is quite different. As for guidance, currently internally, we are looking at this situation in the second quarter and the second half of the year. Perhaps when we talk about this, we may have to rely on hypotheses. And also which timing we will be able to share that guidance, that is something we are currently internally discussing.

Whether we will be able to do so at the second-quarter earnings call or whether it will shift to the third quarter, I cannot say for sure at this time, but at the earliest timing possible, we would like to provide you with the full-year forecast.

As you know, since last fiscal year, we've changed the method of disclosure. We provide a range of EBITDA and we provide a narrative for each SBU. So, whether we will continue with this approach or adopt something else, that is also being considered internally so I ask for your patience.

Kato: Understood. Thank you very much.

Moderator: It's still before time, but we answered all the questions. So we would like to close today's earnings conference call. Thank you very much again for your attendance. Thank you.

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