Recruit Holdings Q1 FY2021 Earnings Call August 12, 2021

Shen: Welcome to the Recruit Holdings Q1 FY2021 earnings conference call. I'm shen, from IR department, and will serve as a moderator.

Today we have Junichi Arai, Executive Officer of Corporate Planning Division and Yasushi Hashimoto, Executive Manager, Disclosure and Individual Investor Relations Department.

Jun will briefly go through Q1 of FY2021 results we announced at 3pm, then proceed to the Q&A session. We recommend that you refer to the Highlights on page 5 of the earnings release and the FAQ posted on our IR website.

This call is a simultaneous translation of the original call in Japanese and translation is provided for the convenience of investors only. Also, please note that all comparisons during this conference call are year over year unless otherwise stated.

Now I'll turn over the call to Jun.

Arai: Thank you for your participation today.

I am Junichi Arai, Executive Officer of Corporate Planning Division of Recruit Holdings.

The current business environment remains uncertain as the spread of COVID-19 is not yet contained and a state of emergency continues in many areas in Japan.

Our global HR matching businesses are operating in, and largely benefitting from, unique labor market conditions. However, we do not believe that these conditions will continue for an extended period. Under these circumstances, it continues to be extremely difficult to predict the business environment in the second half of this fiscal year and beyond.

However, we will not be swayed by ups and downs and will steadily implement our most important management strategies,“Simplify Hiring”, and operate our business without losing sight of our long-term objectives.

First of all, I will explain the Consolidated Results of Operations for Q1 of FY2021.

Consolidated revenue increased 39.8% primarily due to significant revenue growth in HR Technology along with significant revenue growth in the Europe, US, and Australia subsegment of Staffing, as increasing hiring demand positively drove our results.

Adjusted EBITDA margin was 18.9%, an increase from 11.2% of Q1 of FY2020 primarily due to the performance of HR Technology. Adjusted EBITDA increased by 135.2%. Adjusted EPS was 51.24 yen, an increase of 193.0%.

Next, I will explain the financial guidance, which we revised upwards.

Our business environment continues to evolve rapidly as restrictions in some countries have variously been relaxed and reintroduced which make it hard to make forecasts. However, we have revised our previous consolidated financial guidance for FY2021, announced on May 17, reflecting the updated outlook for HR Technology and Staffing. Our outlook remains cautious and the updated FY2021 guidance is based on the assumption that long-term stagnation of economic activities caused by new large scale lockdowns and states of emergency will not occur during FY2021.

We have revised our consolidated guidance for revenue from a range of 2.45 trillion to 2.60 trillion yen to a range of 2.60 trillion to 2.70 trillion yen.

For adjusted EBITDA, we have revised from a range of 270 billion to 335 billion yen to a range of 360 billion to 430 billion yen.

For adjusted EPS, we have revised from a range of 95.51 yen to 126.10 yen to a range of 136.32 yen to 166.92 yen.

The revised guidance by segment will be explained later, along with the results of Q1 of FY2021.

In addition, based on our policy of maintaining stable dividends over the long term, the forecast for the interim and year-end dividends for the current fiscal year is 10.5 yen each, and the forecast for the annual dividend is 21.0 yen, an increase of 1.0 yen from the previous fiscal year.

Next, I will talk about the results of operations and financial guidance by segment.

First of all, I will talk about HR Technology.

Revenue increased approximately by 144.5% on a US dollar basis to $1.68 billion, significantly ahead of our previous expectations. We had a favorable comparison as revenue in Q1 of FY 2020 was negatively impacted by COVID-19. Having said that, Q1 revenue increased by 81% compared to Q1 of FY2019.

The imbalance in the labor market created by surging hiring demand and a limited supply of job seekers looking for work continued to increase competition for talent on Indeed and Glassdoor, resulting in an increased number of sponsored jobs from new and existing customers. Due to our auction based pricing model, this competition drove a significant increase in quarterly revenue.

While small and medium size businesses drove the majority of the growth, large enterprises in total contributed at a rate not previously seen since Q1 of FY2020.

Job seeker activity remained below pre-COVID levels for most of the quarter. However, there was a noticeable pickup in activity in June.

The US continued to be a driver of revenue growth as hiring demand remained elevated with businesses reopening and expanding as COVID-19 restrictions continued to be eased or lifted.

Several markets outside of the US also saw significant hiring demand, including Canada and Europe, as COVID-19 restrictions were eased or lifted and businesses hired in anticipation of increasing consumer demand and improving economic conditions.

While HR Technology has seen growth in Japan, the repeated states of emergency and ongoing priority preventative measures have limited the rebound in our business.

This quarter, we are disclosing revenue for HR Technology in the US and outside of the US. You can find the details in the earnings materials.

Adjusted EBITDA was 69.4 billion yen, an increase of 783.9% and roughly equal to our entire FY2020 adjusted EBITDA, primarily driven by the increase in revenue.

We continued to invest significantly in marketing, as we had in Q4, along with a focus on creating product enhancements to simplify hiring and significantly reduce the cost and time to hire for employers.

However, revenue growth significantly outpaced investments, resulting in adjusted EBITDA margin of 37.7% for Q1 of FY2021.

Moving to guidance, we have raised our fiscal year 2021 outlook for HR Technology, which was announced on May 17, 2021.

We had previously expected the competition for talent on our platforms to ease during the first half of this fiscal year. However, based on the current business environment, competition for talent particularly in the US has remained elevated longer than we had originally anticipated, and is now expected to continue into the second half of the fiscal year.

While it's extremely difficult to predict how long the current imbalance in the labor market will continue, we expect it will normalize at some point during the second half of this fiscal year.

Particularly in the largest markets that HR Technology operates in, vaccination rates have risen substantially over the preceding quarter, many schools are likely to be open in the fall, and many government benefits, to the extent they have had an impact on job seeker activity, are ending or are soon to end. All of these factors may lead to an increase in job seeker activity on our platform and are expected to contribute to the normalization of supply and demand in our marketplace.

Based on our current outlook, and assuming that surges in new COVID-19 cases do not substantially impact these trends, we expect revenue for the segment to increase approximately by 65% to 75% and adjusted EBITDA margin to be in the high 20% range for FY2021, with the Q1 trend continuing into Q2, followed by a moderation in revenue growth and a further increase in operating expenses as investments grow through the second half of the fiscal year.

The HR Technology forecast for the full-year revenue growth rate and adjusted EBITDA margin is higher than in the past, but as I said at the beginning, this is largely due to the extremely unique environment we're currently experiencing, and we do not expect this level to continue for the long term.

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

As of April 1, 2021, Media & Solutions integrated seven main core operating and functional subsidiaries. Beginning in Q1 of FY2021, we have changed Media & Solutions' disclosures to align with the new management and organizational structure.

As a result, revenue in Marketing Solutions and HR Solutions will be disclosed separately but adjusted EBITDA will be disclosed as a total for Media & Solutions due to the increasingly integrated operations between the two solutions.

Also, certain revenue which had been included in each subsegment in both Marketing Solutions and HR Solutions will be shown in Others and Eliminations.

Although individuals' and business clients' activities were impacted by COVID-19 related restrictions in Japan during Q1 FY2021, in contrast to earlier periods when restrictions were more impactful to our business, daily economic activities continued to take place.

As a result, revenue increased 14.2%, but, it did not recover to the pre-COVID-19 level of Q1 of FY2019 for either Marketing Solutions or HR Solutions.

In Marketing Solutions, revenue in each verticals, Housing & Real Estate, Beauty, Travel, Bridal, and Dining, significantly increased. In particular, Housing & Real Estate and Beauty were the primary drivers of revenue growth as they have been throughout the pandemic.

However, Travel, Bridal, and Dining, which continue to be impacted by the restrictions on individual and business activities, are expected to take some time to recover to Q1 FY2019 levels of revenue.

In Air BusinessTools, the number of AirPAY accounts increased 41.6%, as of June 30, 2021. Of the approximately 228,000 AirPAY registered accounts as of June 30, 2021, approximately 146,000 accounts also subscribed to other Air BusinessTools solutions.

In HR Solutions, revenue increased slightly. Revenue in part-time job advertising, which had experienced the most significant revenue impact from the spread of COVID-19, improved year over year; however, it did not recover to the level of Q1 FY2019.

Revenue in the placement service decreased, despite increasing hiring demand from business clients. This demand did not result in revenue growth for the placement service as revenue in Q1 FY2020 reflected the strong pre-COVID-19 hiring demand.

Adjusted EBITDA margin in Media & Solutions for Q1 FY2021 was 20.8%, similar to last year. Media & Solutions focused on strategic investments in marketing and product development in line with increased revenue.

We did not update our previous financial guidance for Media & Solutions.

Finally, I will talk about the results of Staffing.

Firstly, let me announce that beginning in Q1 FY2021, the name of the Japan operations subsegment has been changed to “Japan”, and the name of the Overseas operations subsegment has been changed to “Europe, US, and Australia”.

Revenue in Q1 increased by 22.2% and adjusted EBITDA as well as adjusted EBITDA margin increased driven by Europe, US, and Australia. Adjusted EBITDA margin was 7.8%.

Revenue in Japan in Q1 was approximately flat and adjusted EBITDA margin was 11.0%, which is also about the same level as Q1 FY2020.

While the number of temporary staff continued to be lower year over year, total hours of temporary staff increased. During Q1 of FY2020, hours were reduced due to the suspension of operations.

Revenue in Europe, US, and Australia in Q1 increased 46.5% and 32.7% excluding the impact of foreign exchange rate movements. Compared to Q1 FY2019, revenue increased by 7.6%, and by 1.9% excluding the impact of foreign exchange rate movements.

This revenue growth was due to increased demand for temporary staff overall, along with continued demand for logistics roles to support e-commerce and healthcare roles to support COVID-19 mitigation efforts particularly in Europe. Adjusted EBITDA margin was 5.4%.

We did not change revenue guidance for Japan.

For Europe, US, and Australia, we revised the previously announced guidance upward and expect revenue to increase by approximately 15% to 20%.

Guidance for adjusted EBITDA for Staffing remains unchanged and expected to be approximately the same level as FY2020, which was 6.4%.

That concludes my explanation of the financial performance by segment.

Although the business environment continues to be uncertain, as we have been reporting for some time, the HR business is inherently a business that is greatly affected by trends in the global economy and corporate activities.

The situation over the last two quarters, especially the HR matching market in the US, has been extremely unique but we do not believe that it will be sustained over the long term.

We will continue to steadily implement our most important business strategy, “Simplify Hiring” with a long-term perspective, without being constrained by short-term changes in the business environment or business results.

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 include the contents of today's presentation.

Question & Answer

Shen: We would now like to start the Q&A session. Jefferies Securities, Mr. Takeuchi, please.

Takeuchi: This is Takeuchi speaking. So you talked about HR Technology, Indeed pent-up demand. So the increase in the customer base or any new expansion, are you seeing the customers changing; any signs of that? For example, the companies that did not use/post jobs are now starting to post or under the CPC Indeed Hire? The sales is increasing, gaining momentum or anything? So this pent-up demand may not be a pent-up demand. It may be that Indeed's service recognition is now starting to spread and can expect the basis for sustainable growth. So could you elaborate on this point?

Arai: Thank you very much. So your question is just 1 question? As mentioned, Indeed.com, we always talk about this. There are 3 types of data, and we aggregate and index and post. And mainly for the SMEs, we do this for free of charge, post for free of charge. And next is the payment for jobs.

For now, the ones that were using it for free of charge, those who posted job free of charge, under this circumstance, they have become sponsors and pay to hire our workers. And this portion is increasing. So this can be interpreted as new customers, new clients, but they are existing clients, Indeed corporate clients. And so the ones who understand Indeed and under the circumstances, they choose to pay and to enjoy the benefit and this leads to a higher revenue for us. So this is happening and increasing under the current circumstances.

Of course, the competitive landscape is being generated. So this contributes further to our revenue. On the other hand, this is not necessarily a good thing for a market. There is a supply and demand mismatch, imbalance. So how this will turn out and develop is still unforeseeable. But this extraordinary situation will settle and improve and matching will progress going forward. But at this point in time, this extraordinary circumstance is still continuing. So this is where we are.

So to answer your question, it's not so much new clients. It's the corporate clients who had been enjoying free of charge are now starting to pay. So we think this is one key point.

Takeuchi: Thank you. I understand.

Shen: Next, Maeda-san from SMBC.

Maeda: Thank you. I have one question also related to HR Technology. So, in the assumption, cost is expected to increase by approximately JPY200 billion on a full-year basis. I didn't do a very detailed calculation. So this is basically an increase of JPY50 billion. Well, a JPY50 billion increase is understandable, considering the lower amount of cost in the previous year. But when this amount of up-front investment is made, do you already have a specific plan on how to use that amount of money? Will you be able to use up that JPY200 billion? So that is one point.

And when you increase the amount of investment, will this be the base for calculation for the next fiscal year cost? Or are you going to be flexible? And will you be able to control the amount of cost depending on the situation? So do you have a specific plan on how to fund and use this JPY200 billion?

Arai: Thank you for your question. As you said, analysis on how much amount is going to be used for what purpose has not being analyzed yet in details. But when we think about it on the full-year basis, it's going to be in the high 20% level.

And I believe your question is about how this margin is going to moderate toward the end of the year. As we explained in May, with a long-term point of view, we would like to evolve our business. And to that end, it is important to hire capable talent and that they will continue to be motivated for the long-term growth and evolution of the business. And business areas where it's experiencing significant revenue growth, in the fourth-quarter earnings materials, we had a list of FAQs. And the fourth question, we mentioned the size of TAM for each business domain. And on that slide, on TAM, I believe this is referring to our job advertisement market. That is where we're going to target at to grow and to evolve. And for the sake of steady evolution, we must use cost wisely.

From short-term perspective, in various markets, we need to use marketing costs, but what we would like to focus on in using money is hiring capable talents in engineers and also product development. In today's environment that is not going to be an easy task. However, we are determined to make investments there. And perhaps we may not use up all the JPY200 billion, but that is the assumption for this plan.

Maeda: Thank you.

Shen: BofA Securities, Mr. Kinoshita, please.

Kinoshita: This is Kinoshita speaking. They are both on HR Tech. So, as mentioned in the previous question, those who had not been paying for the service, because they have to hire people, they are starting to pay the clients. So Recruit, your conventional business is like that too. So, for the corporate clients, you pay for them and through good return, you develop a favorable relationship, a long-term relationship.

Now we are in a tight labor market, so those who enjoyed free of charge are now starting to pay. For those corporate clients, you are referring the candidates. Well, do you think you are sending good candidates so that this payment lasts for a long time? Do you think you are ensuring satisfaction of the corporate clients?

Shen: Please go ahead with your second question.

Kinoshita: Yes, your sales forecast, HR Technology sales revenue. This heated demand will continue into the second half. So do you think it will normalize in the third quarter or the fourth quarter, this hiring demand, strong demand? Thank you.

Arai: So, first, whether we are satisfying our corporate clients, employers; we are doing whatever we can for the service, doing the best we can. But on the other hand, the macroeconomic circumstances and the supply and demand has an imbalance, a mismatch. And so we are doing the best we can. So the customers are comparing us with other service, and decide on how much budget they will use for us. So, if we are subordinate or inferior to other company services, then our service, our business will decline.

So, in the current environment, whether we are contributing to matching right away, considering the pre-COVID era, I don't think we are doing sufficiently, but this is related to the second question, the supply and demand. Once supply and demand becomes more equal and become easier to match, then the job seekers and the employers will have better, quicker matching and that is a service that we are expanding.

So the heated demand, very strong hiring demand, we thought that this would settle around May and normalize, but we think it will linger for some more time. Will it be third quarter or fourth quarter in the US? Excluding some particular industries, our third quarter, which is October to December quarter, hiring usually settles in normal years in the US; this year, probably not. We don't think it will be the case this year, but whether it will normalize on the fourth quarter, it may linger, because in the US, starting January, hiring will become more activated. It will become active. So it may not settle that easily. So we do not think it will settle around October or that time frame. It's unknown. It's hard to tell, hard to forecast. Forecast is difficult to project, but this is our current projection.

Kinoshita: Thank you. So just to clarify, so this hiring demand may settle, but it may still be an environment that is different from normal for the performance for this fiscal year?

Arai: Yes. That's why we have a range like we did in May.

Kinoshita: I see. Thank you very much.

Arai: Thank you.

Shen: Citigroup Securities, Tsuruo-san.

Tsuruo: This is Tsuruo speaking. Thank you very much for this opportunity. One is related to the question by Mr. Kinoshita. So the percentage of change is very large in the first-quarter results. So I'm interested in how this changed through April, May, and June. Is it possible to have a breakdown? And in July and August, I believe it's going to be easier for us to have an image of how the numbers are going to evolve.

And the second question is related to Staffing segment. You have revised the forecast for your US and Australia upwards, but margin remains the same. So, by region, I would appreciate it if you can explain the overview situation of staffing market and a reason for the margins to be remaining the same. Thank you.

Arai: So let me address the first question about the percentage of change. In previous year, from May through June, that was the time when we experienced significant drop. So, just to give you a rough explanation, through our first quarter, well, it's not that we experienced a sudden increase in April or June. But a similar elevation of demand was experienced through this period, and that environment continued through the quarter.

And this is related to Kinoshita-san's question, but around second quarter, that was expected to normalize, but then we are changing our expectation that it's not going to happen until the second half. So, at least until September quarter, that is the assumption for our forecast.

And as for our Staffing business segment, as we announced, there is revenue growth, which is now revised upward, but margin is remaining the same. And I believe you can imagine it easily, but by using a certain amount of cost, we are trying to meet customer demand by securing talent. In order to maintain quality over service, we need to invest this amount of cost, which is leading to increase in revenue, but not so instantly for the profit.

Tsuruo: Thank you. Just one follow-up question. In the Staffing segment, recovery in each region, is there any difference between different regions?

Arai: On an annual basis, we have a breakdown by region. But on a quarterly basis, we are not disclosing that number. But there is no significant difference between regions on a quarterly basis.

Tsuruo: Thank you.

Shen: Mizuho Securities, Kishimoto-san, please.

Kishimoto: Thank you very much. I have a question on Media & Solutions. So in FAQ, I hear the explanation, but against your first-quarter plan, what was good, what was worse? So what overachieved, what underperformed? And the full-year plan has remained unchanged. But I think there are good and bad parts or not so good parts. So if you could elaborate, please. That's my first question.

And the second question is also on Media & Solutions, EBITDA. So full-year forecast has remained unchanged. But I think first quarter was strong. Second quarter and onward, marketing promotion will increase, I think. Is that correct? Or you will not need to spend so much expense and the profit will improve and you have some headroom? So please elaborate on cost and profit. Thank you.

Arai: Thank you very much for the question. So Media & Solutions is roughly Marketing Solutions and HR Solutions, 2 main subsegments. So, in the Marketing Solutions, FAQ and in the Earnings Release, you can see the information. The biggest portion is another subsegment, the Housing and Real Estate, and Beauty. Those are leading the recovery. This is where we are. And this was in line with our expectation.

And other businesses, due to the impact of the COVID, were impacted positively and negatively. And so the environment changes and it changes the revenue and the margin. So that's the feature of this business. So the impact may be longer or shorter than we anticipated. And so there were some good surprises and the not-so-good surprises.

The forecast that we announced on May 17, the growth that we anticipate, the growth range and the range of margin, we think our full-year result will come within this range. So we net the positives and the negatives, and it will be within the scope. So for Media & Solutions for this year, for the Marketing Solutions and HR Solutions, we did not change our forecast.

For HR Solutions, Japan is unique. It's a unique market, as we wrote in the explanation. Other countries are recovering faster, Japan is lagging behind. Recovery is slower. For example, retail clients and the dining, the restaurants and bars, clients, in the part-time especially, the recovery is weaker. So how this will recover going forward or not recover, we thought of all the scenarios, but we think the full-year result will be within the range, and that's why we did not have a change this time.

The EBITDA for the first quarter, we integrated the organization. We did reorganization. So the way it's presented is different, and there's some time lag. So we are not thinking of the margin on a quarterly basis. So the second-quarter margin may be different from the first quarter. But on a full-year basis, we think the percentage, the level will be similar to last year. So we have no change from what we announced on May 17.

Kishimoto: Thank you very much. Just one follow-up question. So in the job ad service, first quarter was difficult. But in the placement, it is now back to 2-years-ago level. So the way you look at it is you are doing the advertisements aggressively. And you think the sales revenue will grow from the second quarter in the placement environment?

Arai: Yes. Placement, under this environment, there are specific industries where there's strong need for people, for talent. So this is contributing to our business. So this trend in this area, we think will continue.

Kishimoto: Thank you very much.

Shen: Harada-san from Marusan Securities.

Harada: Thank you. So earlier, Indeed, you mentioned that SME clients who used to use the service for free of charge are now starting to pay for the service. So what was the percentage of such clients? How many of them were there? And if things normalize going forward, do you think those customers will go back to free service?

And my second question is, as of 1 of April, you made changes to your organizational structure. And if that is going to be effective going forward, I expect EBITDA and margin to improve going forward. So what is your outlook?

Arai: Thank you. On your first question, SME clients who used to use a service for free of charge, now move into paid service. And I apologize that such figure is not disclosed.

And the second half of your first question, whether those clients are expected to go back to free service after things will have normalized, well, it is their decision to go back to free service. If they believe they do not need to pay for our service, that can happen any time. That is the business model we have.

And on your second question related to potential increase of margin in Media & Solutions brought by a decrease in cost, this integration is not just for the sake of cost reduction. But as we explained on May 17, especially in Japan, we are looking to do a horizontal application and deployment of services. And for that purpose, we are hiring such human resources and also, we are moving people from one place to the other to offer new services.

So this is not going to instantly be visible on the margin growth, but new service will be offered and efficiency is going to be improved, and synergy with existing business is going to be visible. When those elements are fulfilled, we would see improvement in margin. But that is not going to be seen in the next 6 months or 12 months, just because we've integrated.

At least for this fiscal year, margin will remain at similar level as previous year. We are spending expenses for future growth this year as well. That is the assumption behind this margin forecast.

Thank you.

Harada: Thank you.

Shen: Citigroup Securities, Mr. Tsuruo, please.

Tsuruo: First is about HR Tech. Medium-term margin, looking back 3 months, this year will be a 20% EBITDA margin or so. And in the medium term, you said that the higher 20% range is possible, and it's 3 months since then. So the medium-term margin, based on this assumption, what do you think is the future upside? This future upside is starting to become sustainable, do you think?

There may be this temporary tight labor market. I understand that this tight supply and demand exists. But maybe you're taking actions that is resulting to the current situation. So I'm asking you this question.

Second question is completely different. 51job, the China tech-related B to C and the private personal information related, there is a very stringent regulation being introduced. So the privatization of 51job and for your stake, the evaluation of your stake, so there will be no change, and you will conduct this and no risk for the impairment? Thank you.

Arai: Thank you very much for the question. So HR Technology business, from the long-term perspective, we are pursuing Simplify Hiring, and that is our biggest mission. So maximizing our margin is not our objective, not necessarily.

So how we improve our presence and fulfill our purpose in the TAM that we are after. So we talked about this new pie on May 17 and how this can be used very conveniently by the customers. So we will spend cost in the future. So in the job advertisement market and outside, we will see.

So, in order to capture this new opportunity, outside job ad market, we will spend cost. And so it will not happen immediately, but we will spend cost steadily. And this is a margin as a result of that.

So in the job advertisement market, what the TAM size will be like and our presence there is another factor. So we cannot just increase it linearly. And there's also the up-front investment. So we do not just look at the margin. We did not drive the business just to increase the margin.

This time, it just so happens that in this current environment, we enjoyed the high margin. If the market disrupts or if market condition changes, then it will no longer be the case. So we will not be happy or disappointed every time and be consistent.

And 51job, so we announced privatization transaction is underway and we are in the final stage. So the changes that you mentioned, we do not know of any changes. The transaction is steadily ongoing. And we hope that this will complete as scheduled.

Thank you. I hope this answers your question.

Tsuruo: Thank you.

Shen: Then Watanabe-san of Mito Securities.

Watanabe: Thank you. This is a clarification on the environment and HR Technology and around Indeed. So clients moving from free service to paid service, is that because they need to post job advertisement in short term, and there is no other options but to pay for the service? Or are you not aware of why they are shifting to paid service? Have you done any interview with those clients? If you know why they are shifting, please elaborate on that. So what is your impression as of today?

And the second question is in non-US market. For example, compared to the US, I believe the unemployment rate is not as bad as the US in some countries. And in some countries, they are already recovering from the pandemic. And is that the reason for this growth seen in some countries?

Arai: Thank you. To your first question, the sponsored jobs where we charge fees to clients to post advertisement, they gain more exposure to the job seekers. That is the paid service. There are jobs posted without paying fee, but those advertisements have lower exposure compared to the advertisement of clients who pay the fees. So it is more accessible from job seekers' point of view if you pay to post job ads compared to other companies who are not paying for the service. That is the business model.

So perhaps they have no other choice. They feel that they need to pay for the service to gain more exposure to be seen by job seekers. And maybe such a company is increasing today in number. That is what we assume when we look at today's environment.

And to your second question about non-US markets, so for the first time, we have disclosed quarterly figures for the US and non-US markets. In the first quarter, we are seeing greater recovery in the US. But in Europe, for example, in UK, they are showing a recovery similar to that of the US. It's very similar to the US situation. But they're impacted by COVID-19, and there is higher demand for human resources, and just like the US, they're experiencing a similar trend impacted by the pandemic.

Watanabe: Thank you.

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Forward-Looking Statements