

## FAQ's for Q2 FY2021

Recruit Holdings Co., Ltd.

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

During Q2 FY2021, the unique conditions of the global labor market largely persisted in several countries.

Employers continued to post an increasing number of jobs across many of the markets where we operate including the US, Canada, and Europe. While vaccination rates continued to increase, schools and daycare largely reopened in person, job seeker activity remained relatively muted and these markets continued to experience an imbalance in the labor market between employers with open roles and job seekers looking for work.

In Staffing in *Europe, US and Australia*, similar labor market conditions led to increased demand for temporary staff, particularly for logistics and manufacturing roles in Europe.

Conversely, due to limited employee layoffs during the pandemic, Japan has not experienced a widespread imbalance between supply and demand in the labor market similar to the US and Europe, as evidenced by the jobs-to-applicants ratio, which has remained nearly flat. However, there has been increased demand in many industries for highly skilled talent, and as a result, revenue of the placement business in HR Solutions in Q2 FY2021 was higher than Q2 FY2019, before the pandemic.

In Staffing in *Japan*, the number of temporary staff on assignment increased year over year, against the backdrop of a moderate economic recovery.

### Q2. What is the SBU financial guidance for the second half of FY2021?

The following table presents SBU financial guidance for the second half of FY2021.

(In billions of yen, unless otherwise stated)		FY2020		FY2021	
		Second half	First half	YoY	Guidance for the second half
HR Technology	Revenue (million US dollars)	\$2,331	\$3,632	118.5%	<b>approx. +60% - +70% yoy on a USD basis</b>
	Adjusted EBITDA margin	18.0%	39.1%	26.3pt	<b>High 20% range</b>
Media & Solutions	Marketing Solutions	255.1	189.8	-5.5%	-
	Revenue Excluding the Rent Assistant Program	205.6	189.8	10.8%	<b>Compared to excluding the Rent Assistance Program approx. -8% - +3% yoy</b>
	HR Solutions	110.3	114.1	10.0%	<b>approx. +17% - +22% yoy</b>
	Adjusted EBITDA margin	12.3%	20.6%	0.4pt	<b>approx. 12%</b>
Staffing	Revenue Japan	285.3	292.6	2.8%	<b>approx. +3% yoy</b>
	Revenue Europe, US and Australia	340.7	378.0	31.2%	<b>approx. +5% yoy</b>
	Adjusted EBITDA margin	5.4%	7.5%	0.1pt	<b>Lower half of 6%</b>

## **HR Technology**

In the US, according to Indeed Hiring Lab job seeker surveys, fears of the Delta variant and uncertainty surrounding in person schooling and daycare seemingly contributed to the lack of any dramatic change in job seeker behavior during Q2. Additionally, unemployed job seekers expressed a lack of urgency in the need to find work because of a financial cushion including from spousal employment, savings, and government support.

Last quarter, we had anticipated that the competition for talent in the US would ease at some point during the second half of FY2021 but at this time, it remains uncertain if there will be any particular catalysts that will result in job seeker interest and activity increasing to a level matching the increase in the number of available jobs. However, we do expect the imbalance in the labor market to lessen more gradually over the second half of FY2021 and beyond, as the factors which affect a recovery in job seeker activity become less impactful. As a result, US dollar based revenue for the second half of FY2021 is an expected increase of approximately 60-70% year over year.

Adjusted EBITDA margin for the six months ending March 31, 2022 is expected to be in the high 20% range. In order to achieve Recruit's strategic pillar to Simplify Hiring, as introduced in Q4 FY2020, the HR Technology SBU will continue to invest in developing new and innovative hiring solutions, primarily through continuing to hire engineering, product, and other technical talent, which we expect to accelerate through the second half of FY2021. Additionally, marketing initiatives that drive client and user acquisition in the short-term and build the Indeed and Glassdoor brands over the long-term are expected to remain significant cost drivers.

## **Media & Solutions**

The business environment for the second half of FY2021 in the Housing & Real Estate, Beauty, and Bridal business is expected to remain largely unchanged from the first half of FY2021. Since the lifting of the state of emergency on September 30, 2021, in the Travel and the Dining business, which had been significantly affected by the restrictions on activities related to the COVID-19, the number of reservations made on our Travel and Dining booking websites and apps has been on an upward trajectory and has now recovered to the pre-COVID level of October 2019. However, the number of reservations remains below the level of October 2020, which had a significant positive impact from the Japanese government's Go To Campaign and it is unclear at this time whether a similar campaign will be launched in the second half of FY2021. Therefore, revenue for Marketing Solutions for the second half of FY2021 is expected to be in the range of approximately a decrease of 8% to an increase of 3% year over year excluding the impact from the Rent Assistance Program in FY2020.

In the Travel business, we recognize revenue when travel is completed by users, not when reservations are booked. In the Dining business, we use an advertising-based revenue model, therefore, the number of reservations and our revenue are not directly correlated.

In HR Solutions, the part-time job advertising business has shown an improving revenue trend after the lifting of the state of emergency, supported by the high concentration of advertising clients in the reopening hospitality sector. Additionally, the placement service is expected to see continuous demand from business clients for highly skilled talent. As a result, revenue for HR Solutions for the second half of FY2021 is expected to increase in the range of approximately 17% to 22% year over year.

Adjusted EBITDA margin for the second half of FY2021 is expected to be approximately 12% as Media & Solutions will focus on strategic marketing investments and product development in line with its business strategy while responding to the changing business environment.

## **Staffing**

In *Japan* Staffing, the number of temporary staff on assignment in Q2 FY2020 exceeded the level of the same period in the previous year and the business environment is expected to remain largely unchanged in the second half of FY2021. Therefore, revenue in Japan for the second half of FY2021 is expected to increase approximately 3% year over year. In contrast to the job board business, the lifting of the state of emergency in Japan is not expected to have a significant positive impact on the business.

In *Europe, US, and Australia* Staffing, revenue for the second half of FY2021 is expected to increase approximately 5% year over year, continuing to benefit from the reopening of the economy, especially in Europe.

Adjusted EBITDA margin for Staffing for the second half of FY2021 is expected to be lower half of 6%.

**Q3. What is the revised consolidated FY2021 financial guidance and how has it changed from the previous guidance which was announced on August 12, 2021?**

Consolidated financial guidance was revised to reflect the business results for Q2 FY2021 which exceeded our prior expectations, driven by HR technology, as well as our current outlook for the second half of FY2021 as mentioned above.

The following table represents comparison with previous consolidated financial guidance for FY2021 announced on August 12, 2021.

(In billions of yen, unless otherwise stated)	Announced on November 15, 2021		Announced on August 12, 2021	
	Guidance for FY2021	YoY	Guidance for FY2021	YoY
Revenue	<b>2,700.0 - 2,800.0</b>	<b>19.0% - 23.4%</b>	2,600.0 - 2,700.0	14.6% - 19.0%
Adjusted EBITDA	<b>440.0 - 470.0</b>	<b>82.1% - 94.5%</b>	360.0 - 430.0	49.0% - 77.9%
Operating income	<b>350.0 - 380.0</b>	<b>115.0% - 133.4%</b>	270.0 - 340.0	65.8% - 108.8%
Profit before tax	<b>350.0 - 380.0</b>	<b>107.7% - 125.5%</b>	270.0 - 340.0	60.2% - 101.8%
Profit for the period	<b>259.0 - 279.0</b>	<b>96.7% - 111.9%</b>	200.0 - 250.0	51.9% - 89.8%
Profit attributable to owners of the parent	<b>258.5 - 278.5</b>	<b>96.7% - 112.0%</b>	200.0 - 250.0	52.2% - 90.3%
Adjusted EPS (yen)	<b>172.00 - 184.00</b>	<b>108.3% - 122.9%</b>	136.32 - 166.92	65.1% - 102.2%

The following table presents consolidated financial guidance for the second half and full year of FY2021.

(In billions of yen, unless otherwise stated)	Results for the first half of FY2021	YoY	Guidance for the second half of FY2021	YoY	Guidance for FY2021	YoY
Revenue	1,365.9	30.8%	<b>1,334.1 - 1,434.1</b>	<b>8.9% - 17.1%</b>	<b>2,700.0 - 2,800.0</b>	<b>19.0% - 23.4%</b>
Adjusted EBITDA	266.3	115.8%	<b>173.6 - 203.6</b>	<b>46.9% - 72.2%</b>	<b>440.0 - 470.0</b>	<b>82.1% - 94.5%</b>
Operating income	222.9	198.3%	<b>127.1 - 157.1</b>	<b>44.2% - 78.3%</b>	<b>350.0 - 380.0</b>	<b>115.0% - 133.4%</b>
Profit before tax	223.8	185.2%	<b>126.2 - 156.2</b>	<b>40.2% - 73.5%</b>	<b>350.0 - 380.0</b>	<b>107.7% - 125.5%</b>
Profit for the period	165.4	162.2%	<b>93.5 - 113.5</b>	<b>36.4% - 65.6%</b>	<b>259.0 - 279.0</b>	<b>96.7% - 111.9%</b>
Profit attributable to owners of the parent	165.1	164.1%	<b>93.3 - 113.3</b>	<b>35.5% - 64.6%</b>	<b>258.5 - 278.5</b>	<b>96.7% - 112.0%</b>
Adjusted EPS (yen)	108.19	158.6%	<b>63.81 - 75.81</b>	<b>56.7% - 86.2%</b>	<b>172.00 - 184.00</b>	<b>108.3% - 122.9%</b>

**Q4. In the Help Businesses Work Smarter pillar of your business strategy, what is the progress of SaaS solutions in Media & Solutions?**

Media & Solutions aims to support further improvement of the performance and productivity of business clients in Japan by providing SaaS solutions such as AirPAY, AirREGI, and AirSHIFT.

We have been leveraging its long-term relationships with business clients, particularly in Dining, with proactive Air BusinessTools sales activity, which has contributed to the growth of Air BusinessTools accounts.

For SaaS Solutions, the number of AirPAY registered accounts was 241,000, an increase of 40.3% year over year as of September 30, 2021, while we prioritize growing the number of SaaS solutions accounts. Media & Solutions has been proactively investing in marketing AirPAY and investing to grow the sales teams for Air BusinessTools with a focus on AirPAY as we believe the growth in AirPAY accounts will lead the overall growth of SaaS solutions accounts.

***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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