

## Questions Regarding the 62nd Annual Meeting of Shareholders

updated version

Recruit Holdings Co., Ltd.

We would appreciate your questions. The answers for the main question are as follows.

### **Q1. Please tell me your thoughts on the countermeasure for decline in stock price?**

A. We are aware of our shareholders' concern with regard to the level of our stock price in recent months. We will continue to focus on IR activities while striving to enhance our corporate value by aiming for long-term growth in line with our business strategies.

The Company has gained attention from a large number of investors as a growth-oriented global technology company as its HR Technology segment has grown quite strongly. We believe, based upon our conversation with global investors, our long-term strategy continues to be well understood and supported by them.

The Company's stock price increased strongly until November 2021 when changes in the global stock market conditions started to cause a shift of funds to value stocks, fixed income and commodities, which has also affected our stock price. We believe multiple block trades in November and December 2021 had negative impacts on our stock price as well.

In that environment, three Japanese business shareholders notified us of their intention to reduce their stake in our common stock, and in order to alleviate concern in the capital markets regarding the possibility of uncoordinated sales by our Japanese business shareholders and the potential for downward pressure on the stock price, we conducted a Self Tender Offer for our common stock with the total of 121.6 billion yen in February 2022. We continue considering various measures to protect shareholders' value by taking into account the market environment and the outlook for our financial condition.

### **Q2. Why didn't you significantly increase the dividend in spite of the significant growth in business result in FY2021? Please tell me your thoughts on shareholder return.**

A. We recognize dividends and share buybacks as important measures within capital allocation for shareholders' return. At the same time, we believe that prioritizing strategic investments that enhance corporate value will also contribute to our shareholders on a long-term basis.

For example, we are not just hiring talents but investing them to achieve our mission, "Opportunities for Life. Faster, simpler and closer to you", in other words, investment for a longer time line to focus on connecting people and companies more easily and quickly.

In particular, our HR matching businesses, which have been operated to pursue "Simplify Hiring" strategy of making it easy to get a new job or to make a hire, are highly linked to the economic condition and require strategic upfront investment, therefore discontinuous growth is expected on a consolidated basis.

Even in face of fluctuations in future business performance, our policy is to provide stable and continuous dividends, while taking into account the outlook for mid- to long-term capital needs and financial conditions.

For FY2022, dividend per share is expected to be 22 yen, an increase of 1 yen year over year, while adjusted EPS is expected to decrease year over year.

**Q3. Please link stock price and shareholder return to executive officers' compensation.**

A. We set a high proportion of stock-based compensation within our executives' compensations, with an emphasis on motivating them to improve corporate value over the mid- to long-term and allowing them to share the benefits and risks of stock price fluctuations with shareholders.

The four internal Directors of the Board received approximately 70% of their total compensation as share-based compensation on an average basis in FY2021, which is one of the highest percentages among listed companies in Japan.

In order to encourage further contributions to shareholders' value and corporate value, from FY2019, a portion of share-based compensation is given as stock options that will benefit executives only when the stock price increases.

In order to enhance the appropriateness and transparency of compensation for executive officers, the Compensation Committee, chaired by an independent outside Director of the Board and composed of a majority of outside members, holds discussions to determine the compensation system for executive officers.

**Q4. What measures are you taking against ransomware and other cybercrimes?**

A. We recognize the increasing number of cases of computer virus infections worldwide that make it difficult to continue business followed by demanding a ransom. We are working to prevent accidents and minimize the impact in case of an emergency by gathering information from both inside and outside the company, formulating and updating data security measures according to the characteristics of each business, and taking prompt action based on these measures.

The Company positions data security as the Material Foundations for Corporate Activities, and has established appropriate structures and measures to support that position. The Company sets data security as a high-priority risk and takes appropriate measures depending on the nature of the data and information in our possession as well as the characteristics of that data and information. We have also established structures and measures required by the laws and regulations in each country and area in which we operate.

To ensure that we have industry-standard measures in place, we have also defined the standards that each SBU must refer to, based on the relevant SBU's business and risk characteristics, such as NIST, ISO, and CIS20. Examples of our measures include detecting unauthorized accesses, detecting and blocking virus infections, and recording user communications and accesses in the case of investigations. We also carry out regular vulnerability assessments, penetration testing, and red team exercises including ones conducted by third parties.

**Q5. Revenue in Media & Solutions stays lower than to pre-COVID level, but do you have a prospect for a recovery?**

A. Media & Solutions supports its business clients in Japan for their improvement in performance and productivity by providing online matching platforms, such as SUUMO, Hot Pepper Beauty, and TOWNWORK in Marketing Solutions and HR Solutions, and a wide range of SaaS solutions, which enhance operational efficiencies such as customer acquisition, customer relationship management, hiring, workforce management, and payments.

As disclosed in the financial guidance for FY2022 on May 16, 2022, we expect its revenue in FY2022 be increased to a similar level to FY2019. Marketing Solutions revenue is expected to increase approximately 9% to 14% year over year as Housing & Real Estate and Beauty are expected to continue stable performance, while Travel and Dining are expected to be slow to recover and are not yet expected to recover to the level of FY2019. HR Solutions revenue is expected to increase approximately 16% to 23% year over year as we expect a continued recovery in the part-time job advertising service and growth in the placement service as a result of a recovery in hiring demand from business clients, particularly in the hospitality sector.

In the mid- to long-term, Media & Solutions will transform itself to a solution provider by further expanding its SaaS solutions, which are business and management support tools, and creating an ecosystem that supports all operating functions of its business clients, including financial services.

**Q6. Please explain your mid- to long-term business strategies.**

A. Our HR matching businesses have been operated to pursue one of our long-term business strategies, “Simplify Hiring”. The businesses are directly impacted by the changes in economic conditions and require strategic upfront investments, so that discontinuous growth is expected. Therefore, we do not set financial goals and instead, introduce our future business opportunities by disclosing the global HR Matching market TAM.

Regarding the “Help Businesses Work Smarter” strategy, its goal is to create an ecosystem that supports all operating processes of our business clients. We believe it is important to further increase the number of the solutions we offer within this ecosystem and to further enhance marketing activities in order to increase the number of business clients and accounts using our services.

Also, in an environment of high uncertainty, the Company believes that making a positive impact on society and this shared planet and prospering together with all stakeholders through all corporate activities with a sound governance foundation are the keys to achieve its sustainable growth of enterprise value. The Company has set specific targets for environmental, social and governance (ESG) matters as a corporate strategy, “Prosper Together,” and takes initiatives through dialogue with stakeholders.

For details about our business strategies, please refer to page 24 of earnings release for FY2021Q4, “Business Strategies”.

[https://recruit-holdings.com/files/ir/library/upload/report\\_202203Q4\\_er\\_en.pdf](https://recruit-holdings.com/files/ir/library/upload/report_202203Q4_er_en.pdf)

**Q7. How did you choose the categories of the skills matrix?**

A. With regard to the skills of candidates for Directors, the Nomination Committee reviews categories which are of particular importance for realizing the Company's mid- to long-term business strategies and resolved by the Board of Directors as shown in “Approach to Selecting Directors of the Board” in the corporate governance report. We do not disclose the details, but we have set qualitative and quantitative criteria to determine whether members of the Board of Directors hold each skill.

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