

# FAQ's for Q3 FY2023

Recruit Holdings Co., Ltd.

## Q1. What are the latest labor market dynamics in the global HR Matching market and on Indeed?

The last calendar year proved that global job markets can cool without turning cold: Labor demand fell but remained historically strong, wage growth slowed but stayed high enough to boost workers' purchasing power, and previously sidelined workers were compelled to come back to the workforce in large numbers.

### US

The pace of job creation is strong but not overwhelming, unemployment is low and stable and job openings are plentiful. US employers added almost 2.7 million jobs between December 2022 and December 2023, well above the roughly 2 million jobs added during the last pre-pandemic year (December 2018-December 2019). Much of these 2023 gains were clustered in a handful of highly in-demand sectors, notably healthcare, government, education, and leisure & hospitality. In December, the diffusion index – a measure of the breadth of job gains across industries – rose to its highest level since August 2023, a sign that a majority of industries are still adding jobs.

Labor force participation rate fell off towards the end of the year, and average hourly earnings growth re-accelerated in December 2023 — both signs that while labor demand may still be high, labor supply may be starting to struggle to keep pace. In addition to strong worker demand and resilient consumer consumption, much of the strength in the US labor market over the past few years has come from its ability to pull people back into the workforce. We need to see more data in coming months to fully know if longer-term trends are reversing. But if people are no longer as compelled to re-join the labor market, it could lead to further tightening of the labor market, stop the downward trajectory of wage growth and potentially bolster inflation.

### Europe

Unemployment in the Euro area fell to just 6.4% in November 2023, and leaders of the European Central Bank have said an economic soft landing – in which inflation falls, but unemployment does not spike – remains possible. While unemployment remains low, the rebalancing of labor demand and labor supply has slowly started in some Euro area countries including France and Germany, where job vacancies fell gradually over the course of 2023. This kind of rebalancing is also ongoing in the UK. UK vacancies remain above pre-pandemic levels despite having fallen for 18 straight months, and the 4.2% unemployment rate is relatively low by historical standards. The UK is still a fairly tight labor market by historic standards, and barring unforeseen shocks seems set to loosen only gradually going forward.

### Japan

In Japan, unemployment largely remained steady at or near 2.5% throughout 2023 and inflation slowed sharply towards the end of last year.

### Indeed

The supply and demand mismatch between job seekers and employers continued to ease, with global labor markets normalizing, particularly in the US. Total job postings on Indeed, composed of free and sponsored jobs postings, declined year over year in many countries where HR Technology operates, including the US, while job seeker activity as measured by traffic to, and applies on, Indeed and Glassdoor increased year over year. Overall, the number of unique visitors per month on Indeed remained over 350 million<sup>1</sup> globally.

Please visit [Indeed Hiring Lab](#) for more information.

<sup>1</sup> Internal data, an average of each month's total of distinct cookie IDs visiting Indeed's site between April 2023 - December 2023

## Q2. What is the latest update regarding PPA pricing on Indeed and its potential financial impact?

After conducting extensive testing, Indeed decided to stop offering Pay Per Application (PPA) in its current form in all markets. Instead, Indeed will simplify the employer experience by offering fewer pricing models: Pay Per Click (PPC), Pay Per Started Application (PPSA), and Free to Post (FTP). The sunset of PPA began during Q3 and concluded on January 15, 2024.

PPA was successful in driving employer engagement on Indeed. For roles with well-defined requirements, employers provided feedback that paying only for applications that meet those requirements was a positive change. At the same time, for many employers, PPA demanded too many changes to the way they hire.

Additionally, PPA was designed to allow employers to only pay for qualified applicants. However, some employers used this feature of PPA to avoid paying for qualified candidates that progressed to the interview and even beyond. This led to monetization of qualified applications that was inconsistent from employer to employer, which was not aligned with our expectations.

In Q3 FY2023, we did not experience a negative revenue impact from this decision and do not expect a negative revenue impact in Q4 FY2023.

HR Technology remains committed to delivering value for all employers with pay-for-performance at the forefront.

### Q3. Please explain the background of the outlook for FY2023 Q4 and the resulting consolidated guidance for FY2023.

For Q4 FY2023, the Company expects revenue to be 830 billion yen, an increase of 0.3% year over year and adjusted EBITDA to be 99 billion yen, a decrease of 9.3%.

For FY2023, the Company expects consolidated revenue to decrease 0.9% year over year. Revenue is expected to decrease in HR Technology as hiring activities and the HR Matching market overall contract in US and Europe, while revenue in Matching & Solutions and Staffing is expected to increase.

Adjusted EBITDA is expected to increase 7.3% year over year to 585 billion yen, a record high, due to cost control measures mainly related to personnel cost and advertising expenses while continuing strategic investments for future growth.

Operating income and profit before tax are expected to increase 18.2% and 16.6% year over year, respectively, while a one-time loss is expected to be recorded in Q4 FY2023.

Net income and profit attributable to owners of the parent are expected to increase to record highs, by 30.7% and 31.2% year over year, respectively, and basic EPS<sup>1</sup> and adjusted EPS<sup>1</sup> are expected to increase 34.1% and 16.9% year over year, respectively, after share repurchases executed in FY2023.

The foreign exchange rate assumptions for Q4 FY2023 are 144 yen per US dollar, 157 yen per Euro and 96 yen per Australian dollar.

<sup>1</sup> Number of issued shares at end of the period and number of treasury stock at the end of the period are as of January 31, 2024 on a delivery date basis

(In billions of yen)		FY2022 Q4 Actual	FY2023 Q4 Outlook	FY2022 Actual	FY2023 Guidance as of November 8, 2023	FY2023 Guidance as of February 9, 2024
<b>Consolidated</b>	Revenue	827.7	<b>830.0</b>	3,429.5	<b>Decrease YoY</b>	<b>3,400.0</b>
		YoY +9.0%	<b>+0.3%</b>	+19.4%		<b>-0.9%</b>
	Adjusted EBITDA	109.1	<b>99.0</b>	545.0	<b>Decrease slightly to flat YoY</b>	<b>585.0</b>
		YoY +19.5%	<b>-9.3%</b>	+6.5%		<b>+7.3%</b>
	Operating income	19.4	-	344.3	-	<b>407.0</b>
		YoY -57.1%	-	-9.1%	-	<b>+18.2%</b>
	Profit before tax	31.6	-	367.7	-	<b>429.0</b>
		YoY -31.5%	-	-3.9%	-	<b>+16.6%</b>
	Net income	22.3	-	271.6	-	<b>355.0</b>
		YoY -54.2%	-	-8.8%	-	<b>+30.7%</b>
Profit attributable to owners of the parent	22.1	-	269.7	-	<b>354.0</b>	
	YoY -54.2%	-	-9.1%	-	<b>+31.2%</b>	
Basic EPS (yen)	14.04	-	168.59	-	<b>226.00</b>	
	YoY -72.44%	-	-7.2%	-	<b>+34.1%</b>	
Adjusted EPS (yen)	39.54	-	199.35	-	<b>233.00</b>	
	YoY +31.7%	-	+5.5%	-	<b>+16.9%</b>	

### Q4. Please explain the background of the outlook for FY2023 Q4 and the resulting outlook for FY2023.

#### HR Technology

Revenue on a US dollar basis in January decreased approximately 14% year over year. The Company expects revenue in Q4 will be approximately flat quarter over quarter with potential incremental revenue from Indeed PLUS, which is equal to a year over year decrease of approximately 12% based on the assumption that the current business environment may not significantly deteriorate. Adjusted EBITDA margin for Q4 is expected to be approximately 27%, as the Company expects operating expenses to increase quarter over quarter primarily due to seasonal increases in personnel costs and advertising expenses and incremental costs related to Indeed PLUS.

For FY2023, the Company expects revenue on a US dollar basis to decrease approximately 15.5% year over year.

Adjusted EBITDA margin is expected to be approximately 34% due to implementing appropriate cost control measures throughout FY2023.

The Company announced in May 2023 that the total amount of share-based payment expense in FY2023 is expected to be slightly above 700 million US dollars. However, the Company revised its expectation to remain approximately 550 million US dollars mainly due to changes in the timing of stock-based compensation grants associated with changes in the fiscal year of Indeed.

The Company will promote efficient business operations by responding to changes in the business environment and implementing cost control measures as needed, while balancing continued strategic investments for long-term growth. The Company does not prioritize maintaining a specific adjusted EBITDA margin level.

### Matching & Solutions

Revenue in HR Solutions for Q4 is expected to decrease approximately 4.5% year over year due to the continued downward revenue trend in the job advertising service and the impact from the transition of revenue to HR Technology due to Indeed PLUS. Revenue in Marketing Solutions for Q4 is expected to increase approximately 7% year over year. Adjusted EBITDA margin is expected to be approximately 12.5% in Q4 as the Company expects to strategically invest in advertising expenses especially in Marketing Solutions.

For FY2023, on November 8th, 2023, the Company disclosed revenue in HR Solutions was expected to increase by approximately 4.5% and revenue in Marketing Solutions was expected to increase by approximately 8.5%. However, the Company now revises its outlook based on the results up to the nine month period of the current fiscal year and the most recent outlook for each area in Q4 and the assumption that Japan's economic environment will not change significantly. The Company expects revenue for FY2023 in HR Solutions to increase approximately 2.5% and revenue in Marketing Solutions to increase approximately 9%.

Adjusted EBITDA margin, which was 22.6% in the nine months period of FY2023, is expected to be approximately 20% for FY2023, unchanged from the May 15th, 2023 outlook, as the Company plans to incur significant advertising expenses in Q4.

### Staffing

For Q4, revenue in *Japan* is expected to increase approximately 5%, and revenue in *Europe, US and Australia* is expected to increase approximately 1% year over year. Adjusted EBITDA margin is expected to be approximately 3% as the Company expects to strategically invest in advertising expenses in Japan.

For FY2023, the Company expects revenue in *Japan* to increase approximately 10%, unchanged from the outlook disclosed on November 8th, 2023. Revenue in *Europe, US and Australia* is expected to decrease approximately 2%. The outlook for adjusted EBITDA margin for FY2023 has not been revised from the May 15th, 2023 outlook, and is expected to be approximately 6%.

(In billions of yen)		FY2022 Q4 Actual	FY2023 Q4 Outlook	FY2022 Actual	FY2023 Guidance as of November 8, 2023	FY2023 Guidance as of February 9, 2024
HR Technology	Revenue (in millions of dollar)	1,897	-	8,243	Revenue and adjusted EBITDA to decrease YoY	-
	YoY	-6.7%	<b>-12%±</b>	+7.7%		<b>-15.5%±</b>
	Adjusted EBITDA margin	30.5%	<b>approx. 27%</b>	30.7%		<b>approx. 34%</b>
Matching & Solutions	HR Solutions	80.8	-	297.4	-	-
	YoY	+11.6%	<b>-4.5%±</b>	+19.3%	+4.5%±	<b>+2.5%±</b>
	Marketing Solutions	119.2	-	451.5	-	-
	YoY	+14.1%	<b>+7%±</b>	+13.9%	+8.5%±	<b>+9%±</b>
	Adjusted EBITDA margin	9.3%	<b>approx. 12.5%</b>	14.4%	approx. 20%	<b>approx. 20%</b>
Staffing	Japan	178.4	-	684.1	-	-
	YoY	+14.0%	<b>+5%±</b>	+13.1%	+10%±	<b>+10%±</b>
	Europe, US and Australia	205.1	-	901.1	Decrease YoY	-
	YoY	+6.1%	<b>+1%±</b>	+16.5%		<b>-2%±</b>
	Adjusted EBITDA margin	4.5%	<b>approx. 3%</b>	6.5%	approx. 6%	<b>approx. 6%</b>

**Q5. How much did exchange rate fluctuations impact consolidated revenue and Staffing revenue for the nine months ended December 31, 2023?**

(In billions of yen)		FY2022 Q1	FY2022 Q2	FY2022 Q3	FY2022 Q4	FY2023 Q1	FY2023 Q2	FY2023 Q3
<b>Consolidated</b>	Reported	843.1	878.4	880.1	827.7	850.8	855.1	<b>866.7</b>
	YoY	26.8%	25.3%	18.0%	9.0%	0.9%	-2.7%	<b>-1.5%</b>
	Constant Currency	779.4	787.9	794.7	780.5	825.1	828.3	<b>840.4</b>
	YoY	17.3%	12.4%	6.5%	2.7%	-2.1%	-5.7%	<b>-4.5%</b>
<b>Staffing</b>	Reported	385.7	400.2	415.6	383.6	401.4	406.3	<b>433.6</b>
	YoY	15.1%	19.3%	16.2%	9.6%	4.1%	1.5%	<b>4.3%</b>
	Constant Currency	366.1	370.6	384.1	365.5	390.3	390.6	<b>417.9</b>
	YoY	9.2%	10.5%	7.4%	4.5%	1.2%	-2.4%	<b>0.6%</b>
<b>Staffing Europe, US and Australia</b>	Reported	220.5	234.2	241.1	205.1	215.2	222.2	<b>240.2</b>
	YoY	17.2%	23.3%	19.4%	6.1%	-2.4%	-5.1%	<b>-0.4%</b>
	Constant Currency	200.9	204.6	209.6	187.1	204.1	206.5	<b>224.5</b>
	YoY	6.8%	7.8%	3.8%	-3.3%	-7.4%	-11.8%	<b>-6.9%</b>

**Q6. Regarding revenue of HR Technology, please tell us the growth rates excluding the impact of exchange rate fluctuations.**

(In millions of USD)		FY2022 Q1	FY2022 Q2	FY2022 Q3	FY2022 Q4	FY2023 Q1	FY2023 Q2	FY2023 Q3
<b>US</b>	Reported	\$1,618	\$1,610	\$1,435	\$1,337	\$1,317	\$1,231	<b>\$1,129</b>
	YoY	24.9%	9.2%	-2.0%	-10.1%	-18.6%	-23.5%	<b>-21.3%</b>
<b>Non-US</b>	Reported	568	563	548	560	557	547	<b>514</b>
	YoY	46.5%	18.9%	5.3%	2.4%	-1.8%	-2.9%	<b>-6.3%</b>
	Constant Currency	637	657	629	602	563	529	<b>502</b>
	YoY	64.2%	38.7%	20.7%	10.1%	-0.9%	-6.1%	<b>-8.4%</b>
<b>Total</b>	Reported	2,187	2,173	1,984	1,897	1,875	1,778	<b>1,643</b>
	YoY	29.9%	11.6%	-0.1%	-6.7%	-14.2%	-18.2%	<b>-17.2%</b>
	Constant Currency	2,256	2,267	2,064	1,939	1,879	1,759	<b>1,631</b>
	YoY	34.0%	16.4%	3.9%	-4.7%	-14.1%	-19.1%	<b>-17.8%</b>

**Q7. Can you summarize the Self Repurchase that was announced on December 13, 2023?**

The total number of shares to be repurchased is 46,000,000 shares (maximum) and the total purchase price is 200.0 billion yen (maximum). The Share Repurchases have been conducted as open market purchases on the Tokyo Stock Exchange, Inc. through an appointed securities dealer with investment discretion. The period for the Share Repurchases is from December 14, 2023 to July 17, 2024.

Please find more information on [the website](#).

**Q8. Please explain the details of Indeed PLUS which was launched in Japan on January 30, 2024.**

Please find more information about Indeed PLUS on [the website](#) released on January 31, 2024.

**Q9. Please tell us about the progress made regarding “Prosper Together”.**

In December 2023, the Company published Recruit Group Profile 2023, which outlines the Group's management strategy and corporate activities, including Prosper Together. This year, in addition to the progress of its five ESG goals, the Company included information on its approach to human capital management for the Group and three businesses and policies on how we address human rights issues.

For details, please refer to [the report](#).

Our ESG initiatives and progress are also highly recognized by external organizations.

In February 2024, [Recruit Holdings was recognized as an “A” score company](#) on climate change by CDP, an international non-profit environmental organization. The result shows the Company’s leadership in corporate transparency and performance on climate change.

The Company is now listed in [all six ESG indices](#) for Japanese equities adopted by the Government Pension Investment Fund (GPIF).

Please also refer to [the release](#) for the Company’s progress in Prosper Together in FY2022. The Company plans to disclose the progress for FY2023 in May 2024.

**Q10. Please provide the details of Investor Update FY2023 in March.**

We are pleased to invite you to our inaugural “Investor Update FY2023” event which will be held virtually over the course of 3 days in March 2024. Senior management from Recruit Holdings, product leaders from the SBUs and members of the Sustainability Committee will present updates to our three business strategies and latest product innovations.

Date and time:

**Day 1: Simplify Hiring**

Mar 26, 2024 5:00 PM - / CT

Mar 27, 2024 7:00 AM - / JST

**Day 2: Help Businesses Work Smarter**

Mar 28, 2024 3:00 AM - / CT

Mar 28, 2024 5:00 PM - / JST

**Day 3: Prosper Together**

Mar 29, 2024 3:00 AM - / CT

Mar 29, 2024 5:00 PM - / JST

Please find more details at [Recruit Holdings Investor Update FY2023](#) on our IR website.

**Appendix**  
Historical Results of Operations by Segment

(In billions of yen)	FY2021					FY2022					FY2023			
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	
<b>Consolidated Operating Results</b>														
Revenue	664.7	701.1	746.0	759.7	2,871.7	843.1	878.4	880.1	827.7	3,429.5	850.8	855.1	866.7	
YoY %	39.8%	23.2%	22.0%	23.9%	26.5%	26.8%	25.3%	18.0%	9.0%	19.4%	0.9%	-2.7%	-1.5%	
Adj. EBITDA	131.4	147.1	142.0	91.2	511.8	152.3	145.3	138.2	109.1	545.0	165.9	162.2	158.2	
Adj. EBITDA margin	19.8%	21.0%	19.0%	12.0%	17.8%	18.1%	16.5%	15.7%	13.2%	15.9%	19.5%	19.0%	18.3%	
<b>HR Technology</b>														
Revenue in million USD (\$)	1,683	1,948	1,986	2,034	7,653	2,187	2,173	1,984	1,897	8,243	1,875	1,778	1,643	
YoY % USD (\$)	144.5%	100.1%	81.3%	64.7%	91.6%	29.9%	11.6%	-0.1%	-6.7%	7.7%	-14.2%	-18.2%	-17.2%	
Revenue	184.4	214.4	225.8	236.6	861.4	283.7	300.5	280.5	251.3	1,116.1	257.9	257.2	243.0	
YoY %	148.9%	107.3%	97.2%	80.4%	103.5%	53.9%	40.1%	24.2%	6.2%	29.6%	-9.1%	-14.4%	-13.4%	
Adj. EBITDA	74.8	92.3	78.5	77.5	323.3	95.5	91.2	78.8	76.7	342.3	98.1	92.1	80.7	
Adj. EBITDA margin	40.6%	43.1%	34.8%	32.8%	37.5%	33.7%	30.4%	28.1%	30.5%	30.7%	38.1%	35.8%	33.2%	
<b>Matching &amp; Solutions</b>														
HR Solutions	Revenue	56.5	57.5	62.8	72.4	249.3	72.6	70.2	73.7	80.8	297.4	80.8	74.1	73.1
	YoY %	2.7%	18.4%	20.5%	24.4%	16.5%	28.3%	22.2%	17.5%	11.6%	19.3%	11.3%	5.5%	-0.8%
	Adj. EBITDA	-	-	-	-	-	-	-	-	-	-	-	-	-
	Adj. EBITDA margin	-	-	-	-	-	-	-	-	-	approx. 12% <sup>3</sup>	approx. 25%	approx. 21%	approx. 18%
Marketing Solutions	Revenue	91.5	98.3	102.1	104.5	396.5	104.8	111.9	115.4	119.2	451.5	116.6	123.4	123.6
	YoY %	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%	11.2%	10.3%	7.1%
	Adj. EBITDA	-	-	-	-	-	-	-	-	-	-	-	-	
	Adj. EBITDA margin	-	-	-	-	-	-	-	-	-	approx. 25% <sup>3</sup>	approx. 27%	approx. 32%	approx. 34%
Total	Revenue	151.8	157.8	168.5	180.3	658.6	180.4	185.2	191.9	203.0	760.6	199.9	200.1	199.5
	YoY %	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%	10.8%	8.1%	3.9%
	Adj. EBITDA	31.5	32.4	36.4	2.3	102.8	31.3	27.9	31.6	18.9	109.8	42.5	46.2	46.4
	Adj. EBITDA margin	20.8%	20.5%	21.6%	1.3%	15.6%	17.4%	15.1%	16.5%	9.3%	14.4%	21.3%	23.1%	23.3%
<b>Staffing</b>														
Japan	Revenue	146.9	145.7	155.7	156.5	604.9	165.1	166.0	174.4	178.4	684.1	186.1	184.0	193.4
	YoY %	0.8%	4.9%	9.1%	9.8%	6.1%	12.4%	14.0%	12.1%	14.0%	13.1%	12.7%	10.9%	10.9%
Europe, US, and Australia	Revenue	188.2	189.8	202.0	193.4	773.5	220.5	234.2	241.1	205.1	901.1	215.2	222.2	240.2
	YoY %	46.5%	18.9%	16.2%	15.9%	23.0%	17.2%	23.3%	19.4%	6.1%	16.5%	-2.4%	-5.1%	-0.4%
Total	Revenue	335.1	335.5	357.7	349.9	1,378.4	385.7	400.2	415.6	383.6	1,585.2	401.4	406.3	433.6
	YoY %	22.2%	12.4%	13.0%	13.1%	15.0%	15.1%	19.3%	16.2%	9.6%	15.0%	4.1%	1.5%	4.3%
	Adj. EBITDA	26.2	24.0	28.6	14.3	93.2	27.2	27.9	29.8	17.2	102.2	26.7	25.3	32.5
	Adj. EBITDA margin	7.8%	7.2%	8.0%	4.1%	6.8%	7.1%	7.0%	7.2%	4.5%	6.5%	6.7%	6.2%	7.5%

- <sup>1</sup> 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.
- <sup>2</sup> Beginning in Q1 FY2022, the company changed the adjustment items for adjusted EBITDA and adjusted EPS. All the figures in the table above are based on the new definition.
- <sup>3</sup> Unaudited internal measures

### ***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.