Recruit Holdings Q2 FY2022 Earnings Call
November 14, 2022

Shen: Welcome to the Recruit Holdings Q2 FY2022 earnings conference call.

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

I'm Mizuho Shen, group manager of Investor Relations and Public Relations and joining me today is Hisayuki Idekoba, President and CEO and Junichi Arai, Executive Officer of the Corporate Planning Division.

Jun will briefly go through the Q2 results we announced at 3pm today, then proceed to the Q&A session.

The presentation we use today is available on our IR website.

Please note that all comparisons during this conference call are year over year unless otherwise stated.

As a reminder, we have applied a new definition for Adjusted EBITDA, adjusted EBITDA margin, and adjusted EPS, from this fiscal year, and the new definition is applied retrospectively to FY2021 for comparison purposes.

Arai: Now I'll turn the call over to Jun.

Thank you for your participation today.

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

I will begin with the Consolidated Results of Operations for Q2 of FY2022.

Consolidated revenue was 878.4 billion yen, an increase of 25.3%. Consolidated revenue increased by 12.4% on a constant currency basis.

Consolidated adjusted EBITDA decreased by 1.2% to 145.3 billion yen and consolidated adjusted EBITDA margin was 16.5%. Adjusted EPS was 54.70 yen.

Consolidated revenue increased as revenue in all segments increased led by HR Technology.

Consolidated adjusted EBITDA margin was mainly affected by strategic investments for future growth in HR Technology and Matching & Solutions, which were executed as planned, in line with our May announcement.

There is no change in the guidance for the current fiscal year from the figures disclosed in May.

For the six month period ended September 30, 2022, consolidated revenue was 1.7216 trillion yen, an increase of 26%, consolidated adjusted EBITDA was 297.6 billion yen, an increase of 6.9%, and consolidated adjusted EBITDA margin was 17.3%.

Now, I will walk through each segment.

First, I will talk about HR Technology.

US dollar based revenue was 2.173 billion dollars, an increase of 11.6% year over year and approximately flat compared to Q1.

This is higher than two years ago in Q2 of FY2020, when revenue was 973 million dollars.

On a Japanese yen basis, revenue increased by 40.1% year over year, and 5.9% quarter over quarter.

The increase was supported by strong demand for talent globally which led to increased demand year over year for Indeed and Glassdoor's hiring products and services.

While still tight by historical standards, the labor market continued to normalize compared to Q1 especially in the US and Europe.

During Q2 the number of job openings posted on Indeed declined, and the number of job seekers active on Indeed and Glassdoor increased, reflecting the easing of the imbalance in the labor market seen in the US and other countries.

An additional reason for the moderating revenue growth rate compared to Q1 was the significant growth experienced in FY2021 from Q1 to Q2.

On a US dollar basis, revenue in the US increased by 9.2% and revenue outside of the US increased by 18.9%, primarily led by Europe, Canada and Japan.

US dollar based revenue in the US and outside of the US remained at a similar level compared to Q1.

Adjusted EBITDA was 91.2 billion yen and adjusted EBITDA margin decreased by 12.7 percentage points to 30.4%, 3.3 percentage points lower than Q1, due to a significant increase in operating and development expenses driven by investments in hiring for product and technology development, in line with our May announcement.

For the six month period, revenue was 584.3 billion yen, an increase of 46.5%, adjusted EBITDA was 186.7 billion yen, an increase of 11.7%, and adjusted EBITDA margin was 32.0%.

We intend to continue to make necessary strategic investments for our long term strategy, Simplify Hiring, while managing our operating expenses prudently.

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

Revenue in Matching & Solutions was 185.2 billion yen, an increase of 17.3% with an increase in revenue for both Marketing Solutions and HR Solutions, which reflects the recovery of demand in the Japan economy.

Revenue in Marketing Solutions was 111.9 billion yen, an increase of 13.9%, exceeding pre-pandemic levels when revenue was 110.6 billion yen in Q2 of FY2019.

Revenue in HR Solutions was 70.2 billion yen, an increase of 22.2%. However, it still did not recover to pre-pandemic levels of 79.2 billion yen.

Revenue increased in Housing and Real Estate and Beauty, which together account for more than 50% of the revenue of Marketing Solutions, and both are above pre-pandemic levels.

Revenue in Travel increased significantly from the same period in the prior year when travel in Japan was subject to COVID-19 related restrictions and revenue also increased in Bridal and in Dining.

However, revenue has not yet recovered to pre-pandemic levels in any of these three verticals.

In HR Solutions, revenue in the placement service increased year over year, exceeding pre-pandemic levels, due to an increase in hiring demand in many industries which utilize placement services.

On the other hand, in the part-time job advertising business, revenue did not recover to pre-pandemic levels.

However, hiring demand improved year over year mainly from business clients in dining and retail, which had been impacted by the COVID-19 related restrictions in the prior year.

At this point, the cumulative number of SaaS accounts as of September 30, 2022 was 2.83 million.

The number of AirPAY accounts as of September 30, 2022 was 329 thousand, an increase of 36.4% year over year.

More detailed information in terms of the number of Air BusinessTools SaaS accounts, can be found in FAQs.

In Q2 FY2022, we continued to execute strategic marketing activities for future growth aligned with our business strategy.

Adjusted EBITDA decreased to 27.9 billion yen, and adjusted EBITDA margin was 15.1%, a decrease of 5.4 percentage points.

For the six month period, revenue was 365.6 billion yen, an increase of 18.1%, adjusted EBITDA was 59.2 billion yen, a decrease of 7.4%, and adjusted EBITDA margin was 16.2%.

Finally, I will talk about the results of Staffing.

Revenue was 400.2 billion yen, an increase of 19.3% or an increase of 10.5% on a constant currency basis.

Adjusted EBITDA was 27.9 billion yen, and adjusted EBITDA margin was 7.0%, at a similar level from the same period last year.

Revenue in Japan was 166.0 billion yen, an increase of 14.0% due to increased demand for staffing business year over year.

Adjusted EBITDA was 14.9 billion yen, an increase of 17.7% and adjusted EBITDA margin in Japan was 9.0%.

Revenue in Europe, US, and Australia was 234.2 billion yen, an increase of 23.3%, an increase of 7.8% on a constant currency basis.

Demand for staffing business continued, despite a year over year slowdown in demand related to supporting COVID-19 mitigation efforts that had existed in the European region in FY2021.

Adjusted EBITDA was 12.9 billion yen, an increase of 14.5%.

Adjusted EBITDA margin was 5.5%, primarily due to the impact of inflationary effects and higher personnel costs resulting from increased headcount.

For the six month period, revenue was 786.0 billion yen, an increase of 17.2%, adjusted EBITDA was 55.2 billion yen, an increase of 9.7%, and adjusted EBITDA margin was 7.0%.

Consolidated guidance for the current fiscal year as announced in May is revenue of 3.3 trillion yen, adjusted EBITDA of 520 billion yen, and adjusted EPS of 170.65 yen.

We have decided there will be no change in guidance at this time, when taking into account the actual results for the first half, the latest outlook for the second half, and the impact from exchange rate fluctuations.

In May, FY2022 guidance assumed an exchange rate of 120 yen to the US dollar for the fiscal year, but throughout the year we update our business outlook using actual figures and the latest market consensus exchange rates.

The full year guidance for each SBU is disclosed as a range, and at this time, we expect results to be within those ranges, while also taking into account the exchange rate fluctuations.

Last but not least, as for our capital allocation policy, there are no changes in our policy and order of priority.

The interim dividend per share is 11 yen as forecasted in May.

On October 17, we announced a share repurchase program.

The total number of the shares to be repurchased is up to 42 million shares, and the maximum total purchase price is 150 billion yen.

The challenging macroeconomic environment continues to have a significant impact on the global equity markets.

Under this situation and considering multiple factors including the capacity to pursue strategic business investments, the stock price level, the market environment, and the outlook for our financial position, in line with our capital allocation policy, we decided to conduct the share repurchase.

This is our first time conducting a share repurchase which does not accompany selling by shareholders.

The total amount of dividends per share for FY2022 is expected to be 22 yen, as we expect the dividend per share at the end of Q4 to be 11 yen.

Assuming the share repurchase is completed at the maximum total purchase price, the total payout ratio for FY2022 would be approximately 68%.

Please visit our IR website for the details of the share repurchase.

In line with our capital allocation policy, we will continue to pursue the possibility of share repurchases considering our business performance, strategic investment opportunities, and stock price level in a comprehensive manner, while monitoring stock market trends.

This concludes my presentation.

Thank you.

Let me continue.

Arai: Idekoba-san, thank you again for today. First of all, what are your thoughts on the global HR matching market? How has the labor market situation changed since last quarter in August?

Deko: We always mention this when we talk about the forecast of the labor market. Our outlook on the labor market has not changed.

We are seeing a long-term and structural change in the labor market in almost all developed countries. The aging workforce, shifts in immigration, and changing attitude towards work/life balance are progressing and resulting in a labor supply shortage.

In the last three months, we have seen an increase in news of layoffs, especially at tech companies, but in the labor market as a whole, layoffs have remained low.

Recent increases in layoffs are primarily seen in the industries that ramped up the hiring significantly during the pandemic.

For example, the number of job postings for software development jobs in the US peaked at 130% above pre-pandemic levels, and over the last six months has decreased, but only by approximately 30%.

As another example, the number of workers in the leisure and hospitality industry in the US is still about 1 million lower than pre-pandemic level.

People still say that they are suffering from a labor shortage when demand is as high as, or even higher than pre-pandemic levels.

These examples demonstrate the labor market remaining tight, as I said in August, but it is gradually returning to more normal conditions, closer to what it was before the pandemic.

We believe that the current situation, where the supply of workers is inadequate and interest rates are rising at an unprecedented rate will continue to make the outlook truly uncertain as there is no precedent for how quickly and to what extent the demand for hiring will decline.

Arai: I see. Based on this situation, how are you thinking about HR technology's revenue performance for the remainder of this fiscal year?

Deko: Yes, in terms of our performance, there has been no significant change in the trends we discussed in August. HR Technology YoY revenue growth continued to decelerate from its peak level seen during the recovery from the pandemic.

HR Technology's US dollar revenue growth in Q2 was 11.6% YoY and approximately 2.5% YoY in October, the most recent month, in line with our expectations.

However, one factor that has differed from our initial expectations is the headwind from forex on our non-US revenue on US dollar basis, which has been greater than anticipated.

In light of these factors, and assuming no significant economic downturn occurs during the remainder of this fiscal year, we now believe that HR Technology revenue growth for this fiscal year will likely be closer to 10%, which is the bottom of the range, rather than in the lower half of the 10% to 20% US dollar guidance range, which I mentioned last quarter.

Arai: So what measures is HR technology taking in light of these downward trends and significant macroeconomic uncertainty looking towards next year?

Deko: As I mentioned earlier, hiring demand in the US has been decelerating towards a normalization and leveling off. And in other regions like Europe and Japan, we expect that hiring demand will also gradually peak and decline before leveling off.

For the next fiscal year, we assume the size of the global HR matching market will contract, and considering the current exchange rates, it is possible our HR Technology revenue will decline.

We don't know how long or deep the recession that is likely to come might be, but Recruit has grown through many economic cycles.

In its more than 60-year history, we've had success controlling costs during previous downturns while balancing this with investments for long-term growth, enabling us to expand our business through the recovery period.

In HR Technology, considering the current uncertain situation and the level of foreign exchange rates, we are already taking measures to control costs, including pausing hiring, as we have already hired 2,500 people in the first half of the fiscal year.

We will continue to evaluate the macroeconomic situation and the midterm outlook for HR Technology's financial performance while implementing appropriate cost controls and strategic investments.

Arai: Up to this point, we talked about the global HR matching market, focusing on HR Technology, but how do you see the latest trend and outlook for Matching & Solutions which operate businesses in Japan?

Deko: I believe the Japan economy is now in the recovery phase from the pandemic, about six to nine months behind the US and Europe. We see a significant rebound of demand, especially in travel and dining.

However, I believe the potential for slowing of economic growth in Japan is increasing, so we are prepared to control costs balanced with continued strategic investments for long-term growth while closely monitoring the macroeconomic environment and the outlook for the next fiscal year.

Arai: Thank you very much Deko. Now let's take questions from participants.

Question & Answer

Shen: Now we would like to proceed to Q&A session. Jefferies Securities, Takeuchi-san, please.

Takeuchi: This is Takeuchi from Jefferies. I have two questions. First is on Indeed. More specifically, what are the functional improvements that are ongoing now? The personnel costs of Indeed employees increased significantly in the past three months, which is at a level we haven't seen in the past.

The exploration of new countries, or functional improvements? I want to know some new developments; if you could share with us some information, please. Thank you. That's my first question.

Deko: Thank you for the question. At this time, other tech companies are restraining, holding back, or stopping hiring early on.

Indeed, on the other hand, continued hiring engineering and machine learning specialists, people with such capabilities, so we were able to hire more.

Engineering type personnel are working on site improvements; for example, corporate clients and users to connect easier in the hiring process.

So video and phone and SMS text message. These are also being enhanced and more than 3.7 million people's job interviews have been using this function.

In addition, this may be a low key change or improvement on-site, a very detailed minor point, but on the website, the job offer data, salary can be viewed by the job seekers when they are looking for jobs, so this is also an improvement, an evolution.

As a result, users can get jobs on our platform. We are seeing a steady increase of users finding jobs on our platform.

Of course, there are ups and downs in the business environment. It's the nature of our business, but the site improvement is ongoing.

Takeuchi: Thank you very much. My second question is this fiscal year and next fiscal year's company-wide profit balance.

Now there is a tailwind of weak yen. I don't think you have any problem achieving this year's target, but cost, in Q2, you used cost rather than restraining cost.

Now next year, HR Technology, you talked about the possible decline. So the cost will be reduced, and can you maintain profit by reducing cost?

Or do you have to spend cost for the medium- to long-term growth? What's your view?

Deko: Thank you very much. Of course, for the short-term, profit may increase or decrease on a year on year basis. Yes, there is a goal setting on that level, the short-term level. But in any case, even after the economy declines, the economy will always pick up in the future.

As you rightly mentioned, on a cumulative basis, we want to capture the sales and profit on a cumulative basis in the economic expansion period. How can we do that? That is our baseline thinking.

For example, our clients or users, both sides, we think of lifetime value. Once we capture the users, they can use our service for years. They stay for years, things like that.

We may see a declining forecast in the short term and try to avoid decline. But rather than taking these short term measures, we want to maintain a medium- to long-term perspective and prioritize our investment and, as a result, see how the profit trends. That is our line of thinking.

Takeuchi: Thank you very much.

Shen: Our next question is Mori-san from JP Morgan.

Mori: Thank you. I have two questions. One is related to the HR Technology plan for H2. You said that you will be closer to the lower end of the range on a full-year basis. In the second half, on a dollar basis, I believe you will have a 2% increase.

You said 2.5% for October, so in the second half, based on the assumption that there will be no major recession in the second half, growth rate is not expected to improve significantly.

And when we look at the number in the labor market in the US, I believe the negative year over year might expand in the second half.

How can we offset that decrease? What measures do you have in your mind? If possible, can you please explain the development difference for major enterprises and small and medium companies?

Arai: Can you please ask the second question together?

Mori: Well, actually, this is a similar question. But next fiscal year, the total revenue could have a negative growth, as you suggested.

But since the previous fiscal year, although it is not disclosed on a quarterly basis, you have been working on increasing unit price. In the next fiscal year, compared to this fiscal year, can we expect that to bear fruit?

If possible, I would like you to give us some color on how that is going to be offered in the next year.

Deko: Thank you. I hope I can answer both of your questions at the same time. As we've been saying, as I said earlier, our hiring process is something we hope to improve so that we can offer more value to our clients and, as a result, we can receive a higher unit price from clients. That is the process that we are hoping to achieve in our development activities.

In the non-US markets, when we look at the second quarter, the volume of job advertisements is still increasing, leading to increasing revenue. But in the US, for example, in the second quarter, the increase in the unit price is making a larger contribution to revenue rather than increasing the number of job ads.

We have been repeating several tests. As I talked about recently, when we have applications from job seekers, if their quality is favorable, the company pays us for receiving such applications.

Clicking on an ad for pay-per-click is not what we are pursuing today, you click on the advertisement, but there needs to be an actual application after that in order to charge.

For major famous companies, senior engineering is the type of job which has a high salary level and students, junior engineers are interested, so they might click on the ad, but they don't apply for the job. So conversion rate to application can be different for different types of jobs. That is what we have discovered.

We would like to make sure that clients succeed, and we like to contribute to the success of clients in order to enhance our corporate value from a mid to long-term perspective. That is why we've been focusing on increasing the unit price. That is what we have been testing recently.

By continuing such activities, we have started to see results of these tests. However, the goal is not to increase the unit price per se. We are prudent in helping job seekers and business clients in a mid to long-term perspective and contribute to the satisfaction of those clients and job seekers.

We have been repeating very detailed tests, so it is difficult to tell you by when we are trying to achieve what. But in Q2, I can tell you that we have started to see the results of these tests.

And as for the second half, according to the data from JOLTS in the US, there were 12 million open jobs, but now it has declined to 10 million jobs, but this can come down to 8 or 9 million in the future. When it comes down further, how much value we can offer is what we would like to ensure going forward.

And you asked about the difference in development between large companies and SMEs. In the downturn economic cycle, it is always the case that the SMEs are the first ones to decrease the number of job ads.

For example, in favorable economic conditions, strong economic conditions, Indeed, and also other media are used by the SMEs, but the SMEs only use one or two media in more difficult economic conditions.

When we look at our peers, we do see decline in the SMEs. But I believe that we see more concentration of SMEs in our service compared to peers. We do see decline among the major enterprises as well, but not as much as the SMEs.

I hope I answered your question.

Mori: Thank you. I'd like to ask a follow-up question, just one question. In the second half, in terms of the volume, the number of your paid jobs, the decrease is going to become larger, but because of the measures, you will be able to increase unit price and you will barely be able to maintain a positive number. Is my understanding correct?

Deko: Well, I believe we need to see the results and look back in order to answer that question. Increasing unit price for the revenue is not what we are trying to do.

But rather, in the mid to long-term perspective, we want to make sure that our clients would be satisfied and convinced to pay a higher unit price.

For example, as I said earlier, ads are clicked but not applied for, so for such clients, revenue may decline from some of the clients.

This is not what we do to grow the revenue. It's not that we have a specific target, but we're trying to improve the satisfaction level of clients who use our platform. That is our goal.

As a result, as I said earlier, in Q2, we've started to see results of the tests, and we have seen an increase in unit price as well as satisfaction level of clients being maintained. But it's not that we're targeting a specific revenue level. I hope you understand that point.

Mori: Understood. Thank you. That was very helpful.

Shen: SMBC Nikko Securities, Maeda-san, please.

Maeda: Thank you very much. I have one question. The share repurchase, share buyback, you mentioned this earlier. This time, the labor market forecast is now a bit of concern in the market. This is good timing, a very good time for the announcement of the share buyback.

Share price, how much of a focus was the share price? Now cash is JPY1 trillion. Cash flow, when the market environment declines, I don't think cash flow will be impaired significantly.

Your management decision, including the balance with the flexible M&A option, the cash position that you can utilize is which level? If you could give us any guidance, your view. Thank you.

Arai: Thank you. Arai would like to answer that question. As we mentioned, for two, three years now, we've had a capital allocation policy, the cash allocation and priorities have remained unchanged.

This time, we executed this buyback because we are doing the upper layer, more high-priority measures. That is why we're doing this lower priority cash share buyback this time.

If there is a negative impact, we understand the need for cash, and we are well aware of that. On that basis, we made this decision.

And the timing, this is up until the middle of March, so the economic indicator was announced last week which influenced the market and such events can happen from mid-October to mid-March. Various events and announcements are taken into account. On October 16, 17, share price, we think is sufficiently reasonable. That is why we decided to execute.

I think there are different views on the size, but vis-à-vis our market cap, we want you to see us as doing a sizable amount of share buybacks.

Given the timing, we decided on the upper limit of JPY150 billion, and this will end in March, so we will take the economic situation into account then and our view on the financial results forecast may change.

We may do another round, but first of all, we use the capital allocation policy and we thought that this is the optimal way of using cash.

Deko, for M&A, they are the high priority in the allocation policy, but they are now lowered in the policy? Well, strategic investment will be prioritized. Right?

Deko: Yes, as you know, IPO window is closed at the current situation, and it's difficult for it to reopen. When I talk with companies, I feel that the M&A activity is increasing.

It's M&A, and so it is always with a counterpart. If we find a good company that can identify with our vision, we want to be bold and go ahead with the M&A. It still is a high priority for us.

Maeda: Thank you.

Shen: Next is Yamamura-san from Citigroup Securities.

Yamamura: Thank you for this opportunity. This is Yamamura from Citigroup Securities. I have two questions. One is from the short term perspective; second is mid term perspective related.

First question is I apologize if I missed it but the room left for cost control. On the personnel cost, you said that you are taking proactive measures, but for advertising and promotional expenses, is that going to be controlled as well?

Is it something that can function as a valve for operating expenses? What is the threshold for controllable cost?

The second question is related to mid term perspective. As you have been explaining, the new business model shift is my focus. Regardless of the revenue increase, you will be offering more value to increase the unit price. But I was worried that it could be labor intensive.

So up-front investment, if that is controlled enough, EBITDA margin could be higher than the current level in short term perspective. But compared to the conventional model, do you think profitability can be lower? Or would you be satisfied with the increase in absolute amount of OI?

And in HR Technology, what number of people do you need in order to make the business viable? When will be the end of the first stage? Those are my two questions.

Deko: What was your question about HR Technology? Can you please repeat?

Yamamura: Yes. The way you are increasing the number of people in HR Tech, what is your goal? When do you think the business will be viable? I'm interested in when the first stage of the business will be viable and how many number of talents are required.

Deko: Thank you. First of all, in terms of cost control, room left for marketing expenses, this was the case when the pandemic started, but for the job advertising market, it consists of supply and demand.

Without advertisement, in an economic downturn, job seekers will always be there in the market even if no advertising is done.

If we spent USD100, how many users would come? In the face of labor shortage, that rate can be multiplied by many times and in such a situation, there is no need to post a lot of job advertisements.

HR Tech used to enjoy a very high EBITDA margin. Without spending too much marketing cost, users still came to the service. That is the case we are expecting for a potential economic downturn.

Regarding marketing cost, it's not that the marketplace will not function if we don't spend marketing expenses. It will still function. That is why we believe we have flexibility for job advertisement.

And the other question is on the new business monetization model. If we shift to a new business model, you said you are worried about lower profitability. As I said earlier, when we have an application or when we have a job interview, when an applicant was satisfied, these are all done online which means that we do not manually intervene. In that sense, we are not expecting an increase in cost because of a shift to a new business model.

Rather, the revenue grows but cost will remain the same, so in terms of margin, we believe it will actually increase and improve.

In sales, client support, client success, other than in these functions, we have back-end system engineering. How many people do we need in order to make the business viable? I believe that was also your question.

To be honest, it depends on how much innovation this market would require. I believe we have said this a couple of times already but innovation in the advertising market is not our goal.

Job switching, the largest cost required in any businesses around the world is personnel expenses. People in HR hiring, recruiters, their cost is large. And selecting, resume screening, moving on to arranging a job interview, such recruiting coordinators exist.

We want to make their job easier. We want to use technology to reduce manual human intervention. That is our mid to long-term goal. And when we think about that I believe we still need more engineering power. That has been our view. I hope I answered your question.

Yamamura: Yes that was clear. Thank you.

Shen: Because of time, next will be the last. Fukuyama-san from UBS Securities, please.

Fukuyama: Thank you. I have two questions. First is HR Tech; second is Matching Solutions. Regarding HR Tech, the recessionary period may appear next year, so during a recession, in general, the process up to hiring decision slows down or speeds up in general? If you could enlighten me on that, please.

And regardless of the economic cycle, the hiring process can be shortened with our own effort, so during a recession even, top line can be maintained fairly easily. Is that the case? Thank you very much. That's my first question.

Second question is about Air Business Tools, current monetization status update. As we reopen, the paying option is increasing? Or the SMEs are not improving much? And so as we have a recession next year, the full-scale monetization will still take a little while? That's my question.

Deko: Thank you very much. First in a recessionary period, hiring speed is your first question, so let me answer. Generally speaking, our HR business, if there's a particular candidate, we present the person and until the decision is made, companies become more cautious.

The span, the period tends to become longer in a recessionary period. But as I mentioned earlier, in the US for example and in Europe and in Japan, structurally speaking, the supply side, labor supply is in shortage. That's the baseline.

As I alluded to earlier, hotels and restaurants, hospitality, they are 1 million short, lower than pre-pandemic, so labor shortage is still there.

K-shaped recovery happened after COVID and this is continuing. Engineers, tech domain, hospitality, and health care, they're also facing labor shortage.

And in the UK, because of Brexit, transportation, truck drivers are in severe shortage. This shortage was not evenly distributed and now we are going into a recession. We do not need to be that cautious I think.

In Japan, too, restaurants, dining, they are suffering from a labor shortage. We often hear that. With such a labor shortage, going into a recession, we have never experienced this before, so I am not sure what this will turn out to be like. We need to watch closely.

And the next point is Air Business Tools' monetization. Thank you for the question on this point. As we have mentioned before, charging with Air Business Tools and raising profit just with this is not our plan.

We want to increase this comprehensively, overall and increase the solution to our customers. Through that process, we want to little by little increase the amount that is billed. So we are still in the process.

AirINVOICE was launched in July. These initiatives are ongoing. We want to focus on the platform size and increase the size. We're still in that phase.

Thank you. I hope this answers your question.

Fukuyama: Thank you very much.

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