

FAQ's for Q3 FY2022

Recruit Holdings Co., Ltd.

Q1. Why did you revise the Consolidated Guidance for the fiscal year? Is there a change in the forecasted amount of the dividend payment at the end of Q4?

During Q3, the tight labor market continued to moderate and this environment of gradual labor market normalization is expected to continue in Q4. As we assume foreign exchange rates for Q4 of 132 yen per US dollar, 138 yen per Euro, and 89 yen per Australian dollar, we determined it is appropriate to revise the FY2022 consolidated financial guidance announced on May 16, 2022.

There is no change in the dividend guidance.

(In billions of yen, unless otherwise stated)	as of February 13, 2023		as of May 16, 2022	
	Consolidated Guidance for FY2022	% change	Consolidated Guidance for FY2022	% change
Revenue	3,425.0	+19.3% yoy	3,300.0	+14.9% yoy
Adjusted EBITDA	525.0	+2.6% yoy	520.0	+1.6% yoy
Adjusted EPS (yen)	180.00	-4.7% yoy	170.65	-9.7% yoy

Outlook for FY2022				
		as of February 13, 2023		as of May 16, 2022
HR Technology	Revenue	approx. +8% yoy on a USD basis		approx. +10% - +20% yoy on a USD basis
	Adjusted EBITDA Margin	approx. 29%		approx. 30%
Matching & Solutions	Revenue	Marketing Solutions	approx. +13% yoy	approx. +9% - +14% yoy
		HR Solutions	approx. +18.5% yoy	approx. +16% - +23% yoy
	Adjusted EBITDA Margin	approx. 14%		approx. 14.5%
Staffing	Revenue	Japan	approx. +13% yoy	approx. +9% - +12% yoy
		Europe, US and Australia	approx. +17.5% yoy	approx. +5.5% - +7% yoy
	Adjusted EBITDA Margin	approx. 6%		approx. 6%

Q2. How much did exchange rate fluctuations impact each segment's results in the three months and the nine months ended December 31, 2022?

(In billions of yen)			Three Months Ended December 31,			Nine Months Ended December 31,		
			2021	2022	% change	2021	2022	% change
Consolidated Operating Results	Revenue	Reported	746.0	880.1	18.0%	2,111.9	2,601.7	23.2%
		Constant Currency	-	794.7	6.5%	-	2,362.1	11.8%
Staffing	Revenue	Reported	357.7	415.6	16.2%	1,028.5	1,201.6	16.8%
		Constant Currency	-	384.1	7.4%	-	1,121.0	9.0%
Staffing Europe, US and Australia	Revenue	Reported	202.0	241.1	19.4%	580.1	695.9	20.0%
		Constant Currency	-	209.6	3.8%	-	615.3	6.1%

Q3. Regarding revenue of HR Technology, please tell us the growth rates excluding the impact of exchange rate fluctuations.

		Q1			Q2			Q3			Nine Months Ended December 31,		
		FY2021	FY2022	% change	FY2021	FY2022	% change	FY2021	FY2022	% change	FY2021	FY2022	% change
(In millions of USD)													
US	Reported	\$1,295	\$1,618	24.9%	\$1,474	\$1,610	9.2%	\$1,464	\$1,435	-2.0%	\$4,234	\$4,664	10.1%
Non-US	Reported	388	568	46.5%	473	563	18.9%	521	548	5.3%	1,383	1,680	21.5%
	Constant Currency	-	637	64.2%	-	657	38.7%	-	629	20.7%	-	1,923	39.1%
Total	Reported	1,683	2,187	29.9%	1,948	2,173	11.6%	1,986	1,984	-0.1%	5,618	6,345	12.9%
	Constant Currency	-	2,256	34.0%	-	2,267	16.4%	-	2,064	3.9%	-	6,588	17.3%

Q4. What did you see in the global HR Matching market during Q3?

Please refer to the [transcript](#) of the Q3 FY2022 earnings call.

Q5. Please tell us about the progress made during FY2022 regarding “Prosper Together”.

Through one of our business strategies, “Prosper Together,” we have set specific goals for ESG (Environmental, Social, Governance) and created initiatives to help achieve those goals. The progress toward each target is as follows.

Environmental: Achieve carbon neutrality in the amount of greenhouse gas (GHG) emissions throughout our business activities by FY2021, and throughout our value chain by FY2030.

- As planned, we expect to achieve carbon neutrality in the amount of GHG emissions (Scope 1+2) throughout our business activities in FY2021¹.
- Toward the goal of achieving carbon neutrality across our entire value chain (Scope 3), we formulated a GHG reduction plan in line with the “1.5°C pathway”² which aims to limit the increase in global average temperature to less than 1.5°C compared to the pre-industrial era. Since then, we committed to the Science Based Target initiative (SBTi) and submitted our reduction plan. The plan is currently under review to receive formal approval from the SBTi.
- We identified risks and opportunities from climate change in line with the TCFD Framework and disclosed them in our Annual Report for FY2021.

Social - Social impact (1): By FY2030, reduce the time it takes to get hired by half compared to that of FY2021.

- We found that it took approximately 15 weeks until most of the job seekers on the Indeed platform get jobs³, and set this as our baseline. Since then, we have been in the process of identifying issues and are considering ways to reduce the time to get hired.

Social - Social impact (2): Support 30 million people facing barriers to get hired by FY2030.

- We are helping job seekers through partnerships and technology. In FY2021, we focused on providing support to job seekers with criminal records and those who lack access to the transportation and technology critical to finding jobs.

Social - DEI⁴: By FY2030, achieve approximately 50% representation of women in senior executive positions, in managerial positions, and total employees of the entire group.

- We identified fundamental issues and proactively promoted women for senior executive positions, which include CEOs of main subsidiaries as well as executive officers of SBUs. As a result, the ratio of women in senior executive positions has increased from approximately 10% to 21% as of April 1, 2022⁵.

Governance: By FY2030, achieve approximately 50% ratio of women among the members of the Board of Directors, including Audit & Supervisory Board members, at Recruit Holdings.

- After the 2022 Annual General Meeting, the ratio of women on the Board has increased from 20% to approximately 27%⁶.
- The Board of Directors has decided to link the achievement of three-year targets for reducing GHG emissions and increasing the ratio of women employees to total employees to a portion of long-term incentive compensation⁷ starting from FY2022.

We published “Recruit Group Profile 2022: Inside Out,” which summarizes the medium- to long-term management strategies and corporate activities that Recruit Group is working on, centering on the progress toward the above commitment to sustainability. For details, please check our website (<https://recruit-holdings.com/ja/sustainability/data/>).

1 GHG emissions throughout business activities are the sum of direct emissions from the use of fuels in owned or controlled sources (Scope 1) and indirect emissions from the use of purchased electricity, heat, or steam in the owned or controlled sources (Scope 2). The Company will have achieved its FY2021 goal of carbon neutrality throughout its business activities upon completion of the following steps: Conducted measurement of FY2021 GHG emissions, obtained an accredited third-party assurance on the amount by April 2023, and offset those emissions.

2 The GHG emission reduction target established in line with the science-based decarbonizing level of limiting global temperature rise to 1.5 °C compared to the temperature before the Industrial Revolution, which was reported by the Intergovernmental Panel on Climate Change (IPCC).

3 Baseline job search duration calculated as of March 31, 2022. Calculated as the period from the time users started an active job search on the Indeed job platform to the time that 90% of such users had received a job offer (assuming for this purpose that the period it takes for 90% of users to receive a job offer represents a statistically significant value). The job search duration is calculated based on surveyed user data collected between September 2021 and March 2022.

4 DEI stands for Diversity, Equity and Inclusion.

5 The representation of women in Senior Executives are as of April 1, 2021 and 2022.

6 The ratio of women on the Board is as of July 1, 2021 and 2022.

7 Compensation based on ESG target achievements is set as a part of BIP trust (stock) compensation. Eligibility to receive this award and the payout amount will depend on whether or not the three-year target is achieved.

Q6. Please tell us about the share repurchase completed on January 6, 2023.

On October 17, 2022, we announced a share repurchase program with market purchases on the Tokyo Stock Exchange, Inc. through an appointed securities dealer with transaction discretion, with plans to acquire up to 42,000,000 shares for up to 150 billion yen, and completed this share repurchase program on January 6, 2023.

The total number of shares repurchased: 35,004,100 shares

The total purchase price: 149,999,334,300 yen

The Company believes acquiring its own shares improves capital efficiency and offers the best return available on shareholders' capital. The shares repurchased through the share repurchase program in part or whole are expected to be used for the execution of an Equity Incentive Plan primarily for HR Technology SBU employees in the future.

In line with the Company's capital allocation policy, the Company 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.

Appendix
Historical Results of Operations by Segment

(In billions of yen)		FY2020					FY2021					FY2022		
		Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
Consolidated Operating Results														
	Revenue	475.4	569.1	611.5	613.1	2,269.3	664.7	701.1	746.0	759.7	2,871.7	843.1	878.4	880.1
	YoY %	-20.0%	-6.2%	0.5%	4.0%	-5.4%	39.8%	23.2%	22.0%	23.9%	26.5%	26.8%	25.3%	18.0%
	Adj. EBITDA	53.8	70.3	87.9	34.8	246.9	131.4	147.1	142.0	91.2	511.8	152.3	145.3	138.2
	Adj. EBITDA margin	11.3%	12.4%	14.4%	5.7%	10.9%	19.8%	21.0%	19.0%	12.0%	17.8%	18.1%	16.5%	15.7%
HR Technology														
	Revenue in million USD (\$)	689	973	1,095	1,235	3,993	1,683	1,948	1,986	2,034	7,653	2,187	2,173	1,984
	YoY % USD (\$)	-25.8%	-2.3%	8.8%	26.8%	2.2%	144.5%	100.1%	81.3%	64.7%	91.6%	29.9%	11.6%	-0.1%
	Revenue	74.1	103.4	114.5	131.1	423.2	184.4	214.4	225.8	236.6	861.4	283.7	300.5	280.5
	YoY %	-27.5%	-3.1%	4.6%	23.3%	-0.4%	148.9%	107.3%	97.2%	80.4%	103.5%	53.9%	40.1%	24.2%
	Adj. EBITDA	7.8	14.7	26.7	21.1	70.5	74.8	92.3	78.5	77.5	323.3	95.5	91.2	78.8
	Adj. EBITDA margin	10.6%	14.3%	23.4%	16.1%	16.7%	40.6%	43.1%	34.8%	32.8%	37.5%	33.7%	30.4%	28.1%
Matching & Solutions														
Marketing Solutions	Revenue	77.1	123.7	134.0	121.0	456.0	91.5	98.3	102.1	104.5	396.5	104.8	111.9	115.4
	YoY %	-27.1%	11.9% (-14.8%)	22.8% (-5.2%)	7.1% (-9.7%)	4.0% (-14.0%)	18.7%	-20.5% (4.3%)	-23.8% (-1.3%)	-13.6% (2.3%)	-13.0% (5.2%)	14.6%	13.9%	13.1%
HR Solutions	Revenue	55.1	48.5	52.1	58.2	214.0	56.5	57.5	62.8	72.4	249.3	72.6	70.2	73.7
	YoY %	-32.1%	-38.7%	-30.1%	-26.5%	-31.9%	2.7%	18.4%	20.5%	24.4%	16.5%	28.3%	22.2%	17.5%
Total	Revenue	132.9	172.8	186.8	179.3	672.0	151.8	157.8	168.5	180.3	658.6	180.4	185.2	191.9
	YoY %	-29.1%	-9.3% (-24.8%)	1.1% (-15.5%)	-7.0% (-16.8%)	-11.1% (-21.6%)	14.2%	-8.7% (10.1%)	-9.8% (7.9%)	0.6% (12.4%)	-2.0% (11.1%)	18.8%	17.3%	13.9%
	Adj. EBITDA	27.4	34.3	37.9	7.3	107.1	31.5	32.4	36.4	2.3	102.8	31.3	27.9	31.6
	Adj. EBITDA margin	20.7%	19.9%	20.3%	4.1%	15.9%	20.8%	20.5%	21.6%	1.3%	15.6%	17.4%	15.1%	16.5%
Staffing														
Japan	Revenue	145.8	138.8	142.7	142.5	569.9	146.9	145.7	155.7	156.5	604.9	165.1	166.0	174.4
	YoY %	5.9%	-0.7%	-2.6%	-0.8%	0.4%	0.8%	4.9%	9.1%	9.8%	6.1%	12.4%	14.0%	12.1%
	Adj. EBITDA	17.0	13.8	14.1	3.7	48.7	16.1	12.6	14.8	8.6	52.3	16.7	14.9	15.7
	Adj. EBITDA margin	11.7%	9.9%	9.9%	2.7%	8.6%	11.0%	8.7%	9.5%	5.5%	8.7%	10.1%	9.0%	9.1%
Europe, US, and Australia	Revenue	128.4	159.6	173.9	166.8	628.8	188.2	189.8	202.0	193.4	773.5	220.5	234.2	241.1
	YoY %	-26.6%	-10.2%	0.1%	8.3%	-7.6%	46.5%	18.9%	16.2%	15.9%	23.0%	17.2%	23.3%	19.4%
	Adj. EBITDA	2.9	8.6	10.6	5.2	27.5	10.1	11.3	13.7	5.7	40.9	10.5	12.9	14.0
	Adj. EBITDA margin	2.3%	5.4%	6.1%	3.2%	4.4%	5.4%	6.0%	6.8%	2.9%	5.3%	4.8%	5.5%	5.8%
Total	Revenue	274.2	298.5	316.6	309.3	1,198.8	335.1	335.5	357.7	349.9	1,378.4	385.7	400.2	415.6
	YoY %	-12.3%	-6.0%	-1.2%	3.9%	-4.0%	22.2%	12.4%	13.0%	13.1%	15.0%	15.1%	19.3%	16.2%
	Adj. EBITDA	19.9	22.4	24.8	9.0	76.3	26.2	24.0	28.6	14.3	93.2	27.2	27.9	29.8
	Adj. EBITDA margin	7.3%	7.5%	7.8%	2.9%	6.4%	7.8%	7.2%	8.0%	4.1%	6.8%	7.1%	7.0%	7.2%

- * 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.
- * Beginning in Q1 FY2022, we changed the adjustment items for adjusted EBITDA and adjusted EPS. All the figures in the table above are based on the new definition.

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