Recruit Holdings Q3 FY2022 Earnings Call
February 13, 2023

Shen: Welcome to the Recruit Holdings Q3 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 Q3 results we announced at 3pm today, then proceed to the Q&A session.

The presentation we will 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.

Now I’ll turn the call over to Jun.

Jun: Thank you for your participation today.I am Junichi Arai, Executive Officer of the CorporatePlanning Division of Recruit Holdings.

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

Consolidated revenue was 880.1 billion yen, an increase of 18% as revenue in all segments, HR Technology, Matching & Solutions and Staffing increased. Consolidated revenue increased by 6.5% on a constant currency basis.

Consolidated adjusted EBITDA margin decreased by 3.3 percentage points to 15.7% as adjusted EBITDA margin in each segment decreased.

Adjusted EBITDA decreased by 2.6% to 138.2 billion yen. Adjusted EPS for Q3 of FY2022 was 50.27 yen.

Based on the results through the third quarter and our outlook for Q4, we have made slight revisions to our financial guidance for FY2022 from what we announced in May.

Now, I will explain the details in each segment.

First, I will talk about HR Technology.

US dollar based revenue was 1.9 billion dollars, approximately flat year over year, or an increase of 3.9% on a constant currency basis.

Quarter over quarter, US dollar based revenue decreased by 8.7% due to less hiring demand from employers.

This revenue is higher than two years ago, in Q3 of FY2020, when revenue was approximately 1.1 billion dollars.

On a Japanese yen basis, revenue increased by 24.2% year over year.

While the labor market remained tight globally and total job postings were above pre pandemic levels on February 1, 2020, the supply and demand mismatch between job seekers and employers continued to ease.

Total job postings on Indeed, composed of free and sponsored job postings, returned approximately to the levels of one year ago, and job seeker activity as measured by traffic and applies on Indeed and Glassdoor increased year over year.

On a US dollar basis, revenue in the US decreased by 2%, and revenue outside of the US increased by 5.3%.

Adjusted EBITDA was 78.8 billion yen.

Adjusted EBITDA margin decreased by 6.7 percentage points to 28.1%, 2.3 percentage points lower than Q2, as personnel costs grew more than revenue due primarily to hiring in the first half of this fiscal year.

During Q3, we controlled expenses in light of the business environment, and advertising expenses decreased year over year.

Regarding our Q4 and FY2022 outlook, revenue on a US dollar basis in January decreased by 1.5%, and based on the current US macro environment and the downtrend of our financial performance,we expect revenue in Q4 will be down approximately 5% year over year.

Although we mentioned on the last earnings call that HR Technology revenue growth for this fiscal year would likely be closer to 10%, we have revised our outlook for revenue growth to approximately 8%.

This change is based on the continued negative impact of the strong US dollar and slightly lowered expectations for US dollar based Q4 revenue.

While carefully controlling operating expenses including by reducing marketing expenses and pausing hiring, we expect adjusted EBITDA margin for FY2022 to be slightly lower than our initial outlook of approximately 30% due to lower revenue than expected.

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

Revenue in Matching & Solutions was 191.9 billion yen, an increase of 13.9%, with an increase in revenue for both Marketing Solutions and HR Solutions, which reflects the recovery of demand in the Japan economy.

Matching & Solutions total revenue exceeded pre-pandemic levels when revenue was approximately 180 billion yen in Q3 of FY2019.

Revenue in Marketing Solutions was 115.4 billion yen, an increase of 13.1% as revenue in Housing & Real Estate, Beauty, Travel, Bridal, and Dining all increased.

Revenue in HR Solutions was 73.7 billion yen, an increase of 17.5% as revenue in the job advertising service and the placement service both increased.

Adjusted EBITDA decreased to 31.6 billion yen.

Adjusted EBITDA margin was 16.5%, a decrease of 5.2 percentage points as marketing expenses, mainly including advertising expenses, grew more than revenue.

As of December 31, 2022, the cumulative number of SaaS accounts was 3 million and the number of AirPAY accounts was 359 thousand, an increase of 37.8% year over year.

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

Regarding the Q4 and FY2022 outlook for Matching & Solutions, we expect the recovery of economic activities in Japan to continue in Q4.

Revenue in Marketing Solutions for FY2022 is expected to increase by approximately 13% year over year, revised from an increase of approximately 9% to 14% year over year, and revenue in HR Solutions for FY2022 is expected to increase by approximately 18.5% year over year, revised from an increase of approximately 16% to 23% year over year.

Adjusted EBITDA margin is expected to be lower in Q4 due to aggressive marketing activities to meet the expected demand from April onward.

While revenue for this fiscal year in both Marketing Solutions and HR Solutions are expected to be within our initial outlook, strategic investments to realize our long term business strategy are expected to exceed our initial expectations.

As a result, we expect adjusted EBITDA margin for FY2022 to be slightly lower than our initial outlook of approximately 14.5%.

Finally, I will talk about the results of Staffing.

Revenue was 415.6 billion yen, an increase of 16.2% or an increase of 7.4% on a constant currency basis.

Adjusted EBITDA was 29.8 billion yen, an increase of 4.2%, and adjusted EBITDA margin was 7.2%.

Revenue in Japan was 174.4 billion yen, an increase of 12.1% due to an increase in the number of temporary staff on assignment as a result of continued growth in demand for staffing services.

Adjusted EBITDA was 15.7 billion yen, an increase of 6.2% and adjusted EBITDA margin in Japan was 9.1%.

Revenue in Europe, US, and Australia was 241.1 billion yen, an increase of 19.4%, an increase of 3.8% on a constant currency basis.

Despite a year over year slowdown in demand related to supporting COVID-19 mitigation efforts in the European region in FY2021, demand for staffing services continued to increase.

Adjusted EBITDA was 14 billion yen, an increase of 2%.

Adjusted EBITDA margin was 5.8%, a decrease of 1 percentage point, as expenses grew more than revenue due to the impact of inflationary effects and increased headcount.

Regarding the outlook for Q4 and FY2022, in Japan and Europe, US, and Australia, the business environment during the first nine months of the fiscal year is expected to continue in Q4.

As the demand for staffing services remains higher than our initial outlook we expect revenue growth will exceed our initial outlook range.

For Japan, we have revised our FY2022 revenue outlook from an increase of 9% to 12% year over year to an increase of 13% year over year.

For Europe, US, and Australia, we also revised our FY2022 revenue outlook from an increase of 5.5% to 7% year over year to an increase of 17.5%, mainly due to the positive impact of foreign currency fluctuations.

Europe, US, and Australia saw significant changes in its outlook, due in part to the foreign exchange impact of the large discrepancy between the assumed exchange rates in the initial outlook and the actual rates for the first nine months of the current fiscal year and the assumed rates for Q4, caused by the weaker yen.

Adjusted EBITDA margin for FY2022 is expected to be approximately 6%, in line with our initial outlook.

While revenue growth is expected to exceed our initial outlook range, in order to meet demand for staffing services from April onward, we expect advertising expenses including recruitment expenses in Q4 to exceed our initial outlook.

Based on the outlook for each segment as noted earlier, we determined it is appropriate to revise the FY2022 consolidated financial guidance announced on May 16, 2022.

In May, we announced our consolidated guidance for the current fiscal year of 3.3 trillion yen in revenue, 520 billion yen in adjusted EBITDA, and 170.65 yen in adjusted EPS.

We have revised our FY2022 financial guidance to revenue of 3.425 trillion yen, adjusted EBITDA of 525 billion yen, and adjusted EPS of 180 yen.

We assume foreign exchange rates for Q4 of 132 yen per US dollar, 138 yen per Euro, and 89 yen per Australian dollar.

Regarding the share buyback announced on October 17, 2022, we reached the maximum share buyback amount of approximately 150 billion yen on January 6, 2023, repurchasing a total of approximately 35 million shares.

Please refer to the IR website for more details.

This concludes my presentation. Thank you.

Now let’s proceed to Q&A session.

As we did in the prior result calls, firstly I will ask a few questions about a topic that I believe you have an interest in.

We will then take your questions.

Now, Deko, last quarter you highlighted how tight the labor market has been around the world. What are your thoughts on the global HR Matching Market and have there been notable changes since last quarter?

Deko: Not much has changed from what we discussed in November.

The labor supply shortage resulting from long-term and structural changes in the labor market - the aging workforce, shifts in immigration and changing attitudes towards work-life balance - remains challenging in almost all developed countries.

Job postings in the US are at a high level, 11 million in December, however, the significant hiring demand brought about by the pandemic is gradually normalizing from its peak in 2022 towards the pre pandemic levels seen in 2019.

Outside the US, the situation is different. The labor market in Europe, including the UK, remains tight and Japan continues to recover from the pandemic.

The magnitude of normalization we’ve seen in the US has not yet happened.

Job seeker activity is recovering globally, as the number of visits to Indeed and Glassdoor and the number of applications is on the rise.

Jun: How were those trends reflected in HR Tech’s financial performance during the quarter? And what do you expect for the rest of this fiscal year and FY2023?

Deko: In the US, we’re now seeing a discrepancy between the trends in total open jobs and sponsored jobs.

In Q3 on Indeed, total job openings were down 3.5% year over year, while sponsored job volumes in the US were down 33% year over year.

As I mentioned earlier, there are still many job openings due to the labor shortage.

However, with announcements of layoffs and reports that the economy is likely to worsen, we're seeing a decline in employers' willingness to spend to hire in many industries despite the labor shortage, as they become increasingly cautious due to a potential recession in the US.

However, we've made various improvements that we believe are gradually making it faster and easier for employers to match with qualified job seekers.

As a result, cost per job advertisement has increased, and US revenue has held up relatively well, decreasing 2.0% in the third quarter.

On the other hand, revenue outside of the US increased 20.7% year over year on a constant currency basis with strong performance in Germany, France, and Japan.

On a US dollar basis, however, reported revenue increased 5.3% impacted by the strong US dollar.

We saw these trends continue in January with HR Tech revenue declining approximately 1.5% year over year as you mentioned earlier.

We usually see sponsored job volumes in the US pick up in January compared to December, but there was less of a month over month increase than in a typical year.

Considering these trends and the continuing strength of the US dollar, we have revised our revenue growth outlook for the fiscal year from approximately 10%, as we mentioned in November, to approximately 8%.

Looking ahead, we believe the supply and demand mismatch in the labor market that occurred during the recovery from the pandemic will continue to normalize from its peak in 2022.

In the US, for example, we believe the job openings will likely decrease to pre-pandemic levels of about 7.5 million jobs, or even lower over the next two to three years.

We will continue our efforts to grow revenue and earnings by improving the value we provide to employers.

However, given the current rate of decline in employers' willingness to spend to hire, it is becoming increasingly likely that HR Tech revenue will decline in FY2023 and potentially again in FY2024.

Jun: In light of these trends, what measures are you taking to prepare for a challenging environment?

Deko: With so much uncertainty regarding the outlook for the economy and the labor market, we are preparing for a difficult economic environment by taking a cautious approach and controlling costs.

In HR Tech, as we mentioned in November, we have already implemented cost control measures such as a hiring freeze and reduced marketing and other expenses.

Throughout our company's 60 year history, we have a strong track record of successfully navigating economic downturns by reducing costs while balancing this with long-term growth investments.

With this approach, we aim to expand our business during the recovery phase, just as we have done in previous recessions.

We expect the difficult economic situation is going to impact all HR-related companies. Our strong financial position, with a solid balance sheet and stable cash flow, puts us in a relatively favorable position.

Even in a difficult environment, we will continue to pursue our long term strategy to "Simplify Hiring", because hiring continues to be a costly and inefficient process.

Our goal is to make it easier and faster for people to get jobs.

We will continue to invest in AI and Machine Learning to further automate manual recruiter tasks and increase human productivity.

This will also result in important investments in collaborations across all of our SBUs and to improve our productivity.

We believe the lack of innovation in this industry is partly due to the fact that when economic downturns occur every 6 to 10 years, most HR companies fail to keep investing in the future.

We believe that we have prepared ourselves to be able to continue to make strategic investments during this downturn.

We will carefully prioritize and control all investments and costs, however, we will not manage our business by targeting recent margin levels in HR Technology.

We believe that operating our business with a long term view is critical to achieving the best results for job seekers and employers.

Jun: Thank you. Moving to the Matching & Solutions business in Japan, what is the current situation and the outlook for the business environment in the next fiscal year?

Deko: In Japan, as we discussed previously, demand is rising due to the recovery in economic activity from the pandemic, especially in the travel and dining industries.

In HR Solutions, hiring demand continued to increase while some business clients began to act cautiously on hiring.

You mentioned earlier that strategic investments are expected to exceed our initial expectations considering the business environment and revenue results, but we assume that the situation in the next fiscal year will be different.

Assuming that the possibility of a recession will increase in Japan as well in the near future, we will balance strategic investments with cost control measures while considering the business environment, as we will do for HR Technology.

Jun: Lastly, we announced today the appointment of Katrina Lake as Outside Board Director.

If she will be approved as Outside Board Director at the AGM in June, the percentage of Outside Board Directors on the Board of Directors will be 50%, and also 3 of 8 Board Directors will be women.

What do you expect from her?

Deko: Katrina is the founder of Stitch Fix, a publicly traded US company that uses AI to streamline personal styling.

She has extensive experience expanding the business and listing in the US stock market, and she also has a wealth of knowledge serving as a director of several platform companies.

I expect her to contribute to overseeing the management of our company, which operates a global matching business.

I believe that increasing the diversity of the Board of Directors including gender, experience at start-up or large companies, nationality, and age, will further promote the creation of new value for us.

Jun: Thank you very much, Deko.

Question & Answer

Shen: We'd now like to proceed to the Q&A session. Anyone with a question? Takeuchi from Jefferies Securities.

Takeuchi: This is Takeuchi from Jefferies. Thank you. I have two questions. The first question is in regards to HR Technology, the measures to increase the unit price per transaction.

If I heard you right, in the US data, sponsored job posting was minus 33%, but the revenue decline has become somewhat mild, and so the unit price per job is increasing.

So the recognition of our customers is increasing, what are the measures that are functioning well, if you could explain the reasons behind this trend?

And the second question is company-wide, the margin outlook for the entire company going forward and the HR Technology operation growing and matching & solutions in Japan, there is a possibility of downturn.

You have expressed your view in regards to potentially suppressing cost. But any EBITDA margin that you're looking at as part of this? Or are there other cost suppression initiatives that you're thinking of? Thank you.

Those are my two questions.

Deko: Thank you very much for your question. To begin with, in regards to the increase in unit price for HR Tech, thank you for your question in that regard.

Now, I may have explained about this in the past. So until now, when there was a click, or when the ad was viewed, for something like an advertisement, we actually charged.

But over the medium to long term, the success of the customer, in other words, their successful hiring, and also the successful hiring from the user perspective, is also a success for us. And so when many people looked at the postings we have been receiving more payment. If we continue to do that, then we will start to think that the business should just show the postings to as many people as possible.

We want to look at both the success of the customers and the success of the users, and we want to charge closer to that. We've started to do more of that.

And what we've described in the past and when there was an application and the applicant quality is very high, maybe within 72 hours, willing to pay for that type of person, if we are able to confirm that, then we'll have a charge take place. We've started to test that as I've explained previously.

This type of customer, if they are convinced with this type of usage, then we are seeing that type of customers' increase gradually, but for larger customers, we have done a number of tests, but not just looking at it or just a click, but they looked at it. And when there is an application in process, then a charge is incurred, so we are doing that type of a test as well.

Also, rather than a search per se, more of a recommendation using machine learning. So if there is a specific type of candidate that would be suitable or most appropriate for a specific type of a job, to be able to show that candidate to the employers' side is one such initiative. Or setting up an interview and starting the interview immediately. That type of initiative is also something that we are working on.

As a consequence of these, the amount that we charge per customer is increasing gradually. I apologize for repeating this many times, but what is most important is the user side, those seeking jobs.

Their biggest complaint so far was that they apply to 10 or 20 postings, but there are no replies at all. That has been the biggest complaint thus far.

And so within 72 hours, a reply has to be made and we align that with the charges. So from the user's perspective they are able to learn the result at a very quick duration as to whether they could move to an interview or whether they were turned down. That is what we think is most important.

As a consequence, the value is increasing, and as a consequence of that, the amount is increasing. And so what I've described before, the advertising volume has come down 33% and the revenue came down by 2 percentage points, this was the consequence we ended up with.

And so here, various outcomes; we want to work towards enhancing these outcomes, and we want to charge in line with that. These types of initiatives are now starting to bear results. That would be my response to your first question.

Now the second question, in regards to the EBITDA margin, how we are thinking about this going forward? I have mentioned this on a number of occasions in the past as well, but for a company like us, where we conduct HR-related businesses, we have certainly faced difficult situations many times in the past. When those situations occurred, then when we set an EBITDA target at a certain level, and we ended up reducing by too much very important investments for medium-to long-term growth. We've done that in the past.

Of course, a high EBITDA margin is one target but we want to work on prioritizing investments more carefully. The level of EBITDA margin is a consequence of doing so. That's the kind of management approach that we'd like to continue in the future as well.

And so it's not the case that we have a particular EBITDA margin that we are targeting as we operate. I hope I answered your question.

Takeuchi: Thank you very much. There is a follow-up. Okay. In the first question, not click charge, but the application-based charge, what percentage of the contracts are based on that? Is there any hint as to the scale of this?

Deko: Well, at this point in time, as we have explained previously, we are still in the testing phase in terms of numbers. But it's not the case that the unit charge is increasing just based on the customers paying for clicks. It's various initiatives that we are doing together.

As I explained before, for example, there are still job postings because there is a shortage of people. But we are seeing a decrease in employers willing to spend to hire people. What they are doing is they're still keen to fill the openings that they must fill. But for this type of work, where they're not spending much money, it's becoming zero yen, it's becoming free. But they're still paying for those key openings where they really want to fill. That is the basis upon which the unit charges have increased. And so this is an additional explanation as a consequence. I hope this answered your question.

Takeuchi: Thank you.

Shen: JPMorgan Securities, Mori-san, please.

Mori: This is Mori from JPMorgan. Thank you very much for the opportunity. My first question is related to the earlier question. This time, volume and the unit price as a result were referred to. If possible, what was the trend in Q3? The unit price is just a result. And so it's probably hard to see or foresee, but as a trend now, the situation is becoming more unforeseeable you said. But this year or next year, the volume may decline significantly. Will the current measures you are taking probably resonate with the users do you think? Or when the macro economy environment is changing dramatically, you need to experiment and test a little more? How do you plan to proceed? Which process are you thinking of taking going forward?

My second question is also on HR Technology. In the non-US market, correct me if I'm wrong, you said UK and Germany are strong.

So non-US regions, the trend outside of the US, the way to see the job posting trend, what kind of timeline will you implement these measures outside of the US?

If you could share some information with us. Thank you very much.

Deko: Thank you. First of all, we want to raise our value to our users and clients and how we think it is being evaluated by our users and clients. We ask very simple questions.

For example, how should I say, clients' advertisement, recruitment advertisement is viewed by 1,000. How much do you plan to pay if it is viewed by 1,000 or if 100 people apply?

Now, of the 100 applicants, the real high-quality talent that you would very much like to have, if only three very talented people apply, how much are you willing to pay?

Or how much are you willing to pay if you pay at the point of recruitment, at the point of hiring?

We are doing such tests, asking questions to our clients. I may have said this before, but for successful hiring, how much are business clients paying?

For example, 25% to 35% of the initial salary, or maybe 100% or 50% in some industries. But if it's how much are you willing to pay when 1,000 people view, then the answer is maybe JPY10,000 or JPY20,000.

So for SMEs who want to fill the positions, this way of receiving money or receiving payment from them may be favored by some SMEs. But let's say respond to the users within 72 hours, for example, pay JPY20,000 and be viewed by so many people, 20 people apply and select which of the 20 are good and to contact 1 or 2 people.

Through this process, we have to change the conventional process of the business client side and that part still has some resistance.

Let's say, within 48 hours or 72 hours, they say, what about weekends, Saturdays and Sundays?

Or some companies may say, we have a day off, our Wednesdays are off. For the applicants, of course they want a quick reply.

And so we changed the way we charge and bill and have the business clients get used to this process and change their behavior.

We're trying to do that. But behavioral change is required. It's not like changing everything overnight. We need to gradually change the business clients' behavior over time, cautiously.

Towards next year, it's not that we're trying to do this with great speed to offset the entire volume decline. We are trying to talk with our customers in a detailed, meticulous fashion, so that they will change their behavior.

For large companies, it is even more complex. There are many people in charge of different jobs. Overall, we think we are being well recognized and getting good feedback.

But there are still many challenges to overcome. I hope this answers your question.

In the non-US markets, our initiatives, our measures to increase our value outside of the US, as I alluded to earlier, when we look at the labor market alone, in case of wage or salary, in the US, wages go up sharply and inflation is gradually declining.

US unemployment had soared to 14.9%. But in Europe, 6.9% in April 2020, maxed at 7.8% in August and is now back to 6% unemployment.

And so compared to the US volatility, Europe was not that volatile. And as you know, in Japan, we don't even have that level of volatility, so the labor market is still healthy in the first place.

In the US, the unemployment rate shot up and has now recovered, and that did not happen in Europe.

Now the status of our tests. In Europe, we have started our test . Compared to the US, we're doing the test in Europe about 1 or 2 quarters later. I hope this answers your question.

Mori: Yes. Thank you. The first question, for large corporates, the implementation has not progressed much? Sorry, I don't have a good understanding.

Deko: Yes, we are progressing with our tests in large corporates as well. And it depends on the country, it differs from country to country.

Large companies, in many cases, have IT systems, so system integration. For the companies that have deep system integration with us, we conduct tests more aggressively.

There's still some variation, but the test itself is ongoing. It's progressing.

Mori: Thank you very much.

Shen: Yamamura-san, Citigroup Securities, please.

Yamamura: This is Yamamura from Citigroup Securities. Thank you for the opportunity to ask a question.

The first question is related to the former two questions. But despite the various factors, CPQA initiatives, you have been working to increase the customer's wallet share.

That is great. But as we enter into a recession, the employers are becoming more conscious of the quality. And from the job seeker's perspective, there is a greater demand for a high-quality platform.

And so as a consequence of this, did the unit charge increase in a short time?

Even if we start to see the numbers increase in the recovery period, do you expect the trend to continue structurally? That's the first question.

Shen: Please ask your second question at the same time.

Yamamura: The second question, we don't know when the recession will continue to; no one knows. But the first recession, a rapid recovery in demand, then more than the macroeconomic recovery, do you feel that you'll be able to achieve greater growth than that?

And if you have the headcount, would you be able to exceed the recovery?

And if others are slowing down on hiring, then the engineers or data scientists that were highly competed for, it may become easier for you to hire these people.

Or do you intend to still implement a control? Please respond to these questions, please.

Deko: Thank you. In regards to the first question, the changes in the macroeconomic condition have led to the unit charge increasing and our product improving.

That has led to the unit charge increasing. We've been able to look at these two separately.

We have been doing a lot of tests thus far and statistically significant, the test. And so this test or if we use this type of framework, the customers' unit charge is increasing so much or this has changed from this to that.

We have been looking at this in quite detail based on the testing framework that we are using. We are able to check these details quite thoroughly.

But what we've explained at the outset, the revenue, minus 2%, this has also been reflected. So the outcome is mixed. But in regards to the progress of our testing, we have been able to identify the outcome quite clearly.

And the rebound from recession and your second point, can we achieve a greater recovery than the macroeconomic recovery?

Now in that regard and the macro labor market situation, I may be repeating myself, but the situation of the macro labor market and as a product, to what extent our platform has been improved, I want to separate these two briefly and give some explanation.

So say, for example, before COVID in the US, there were between 7 million to 7.5 million job postings or job openings. Right now, we are at 11 million, and so 7 million or 7.5 million to return to the pre-COVID level is likely to occur.

And in terms of recession, then 7.5 million in 2019, we may actually go beneath that, to 6 million or 5 million and that would be the worst case scenario.

But if it is 6 million or 5 million job openings, so as against 11 million, the volume will come down by 1/2. But as I've explained, since there are improvements to the product and, for example, very briefly, if the unit charge doubles, then the revenue will not change.

I don't know whether we are able to do this or not, but that is the kind of thing we are working on.

After that, and if we look back over past history, recessions do occur, but also something that occurs with certainty is improvement after a recession.

And so, if we take a long-term perspective, whether it be the US or Europe, then there will be more people dying then there will be people coming into this world.

In other words, the labor supply increasing is now dependent on immigration, and so the shortage of labor is not going to be resolved all that easily from a structural perspective.

And so 7.5 million to 8 million or 9 million job postings could occur, of course. And at that point in time, if the value that we provide has improved, then the unit charge could increase by 50% or 80%.

And if that would occur, then that will reflect into revenue and profit, hopefully.

Well, we may be jumping the gun in one sense, but the macro trend, volume, and the product improvements are reflecting the unit charge.

And if we actually modify the two, this type of thinking could become possible.

Yamamura: Understood. So volume times unit charge, theoretically speaking, you can achieve or see increases in both done?

Deko: Well, gradually, we are starting to see the model change from an auction model.

Say, for example, in this particular area or say, for example, these five experiences or licenses, where we are actually recruiting for someone with certain capabilities, then we are currently presenting the price per applicant.

But the type of auction dynamic, where if volume decreases, then unit price decreases as well, is now less likely to occur.

Yamamura: Thank you very much. Thank you.

Shen: Thank you. It is time, so I'm sorry we cannot answer all your questions. But with that, we will close the earnings call. Thank you very much.

[END]

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.

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