

Recruit Holdings FY2019 Earnings Call May 27, 2020

Shen: Welcome to the Recruit Holdings FY2019 earnings conference call. I am Shen from the IR Office. The speakers today are Mr. Masumi Minegishi, President and CEO, and Mr. Junichi Arai, Executive Officer of Capital Market Strategies. Minegishi will briefly go through the FY2019 results we announced at 3:00 PM, and then proceed to the Q&A.

This call is simultaneously translated from the original call in Japanese, and translation is provided for the convenience of investors only. Now, I will turn over the call to Mr. Minegishi.

Minegishi: Thank you very much for taking time out of your busy schedule to participate today. I am Minegishi, President and CEO of Recruit Holdings. Thank you.

In the past, we have held the full-year financial results briefing at our offices, but this time, we are conducting the presentation as a conference call, since our priority is to prevent the further spread of COVID-19. We appreciate your understanding.

We are committed to operating our business while making it a top priority to ensure the safety of our employees and their families, as well as individual users, enterprise clients, and external cooperation partners, while preventing the spread of COVID-19. In Japan, in response to the Japanese government's declaration of a state of emergency, in principle, the Company acted immediately by allowing all employees to work from home and banning all business trips in impacted locations. At each of our global headquarters, we have also worked to ensure the safety of employees.

Now, the financial results for the year ending March 2020, as reported in the earnings release and voluntary disclosure materials. The impact of COVID-19 on the consolidated financial results for FY2019 was limited. Revenue was JPY2.3994 trillion, adjusted EBITDA was JPY325.1 billion, and adjusted net income and adjusted EPS were JPY199.5 billion and JPY121.03 billion, respectively, which are the Company's key management targets.

The results exceeded the revised full-year guidance for the year ended March 31, 2020 of adjusted EBITDA of approximately JPY320 billion and adjusted EPS growth of high-single digits. For further details, please refer to the earnings release and the financial results summary.

Today, I would like to discuss four points. First, the impact of the challenging global economic environment on our business due to spread of COVID-19. Second, the execution of our mid- to long-term strategy under the COVID-19 situation. Third, an update on our recent business operations. And fourth, the flexibility of profit structure and financial health that supports the execution of our mid- to long-term strategy.

First is the impact of a challenging global economic environment on our business due to the spread of COVID-19. Over the past 10 years, our business portfolio has made a major leap forward from

HR and marketing media to become a global business, with Indeed as our core. In Japan, we are focusing on the expansion of *Air BusinessTools*, which helps improve the productivity of enterprise clients.

While attempting to further execute on our mid- to long-term strategy, the spread of COVID-19 has had a significant impact on individuals' job search activities and consumer behavior, and on the hiring and business activities of enterprise clients. As a result, our revenue has been significantly impacted. We have previously stated that our aim is to become the global leader in the HR matching market in the mid- to long term. However, the spread of COVID-19 is expected to have a significant impact on the global TAM of the HR matching market, which comprises job advertising and talent sourcing tools, placement and search, and temporary staffing. We estimate this will likely shrink in 2020 compared to the previous year.

In addition, revenue of Marketing Solutions in Media & Solutions, which decreased by less than 10% in the fiscal year ended March 2010, right after the Lehman shock, has fallen significantly this time, as the Bridal, Travel, and Dining businesses have seen reduced demand for advertising services.

Next is number two, execution of our mid- to long-term strategy under the COVID-19 situation. Even during such a challenging business environment, we will continue to make necessary investments, and will reallocate our workforce aggressively, in line with our mid- to long-term strategy. In order to capture a larger share of the HR matching market during the recovery period, we are further improving the matching efficiency of our services, and actively investing in product development to meet new demands.

For example, with social distancing practices in place across many of the markets where the Company operates, the demand for online hiring and virtual recruiting processes -- and tools to enable them -- has increased substantially. In response to these challenges, HR Technology adapted its platforms to help job seekers with additional tools and resources to facilitate finding a job in the current environment and expedited initiatives to help enterprises and public sector organizations who need to hire quickly and effectively at scale. Among these expanded offerings are flexible and scalable hiring solutions, including Virtual Hiring Events, which enables job seekers to schedule interviews, apply, and take an interview online; and full service placement services, such as Indeed Hire, targeted at helping employers who have strong demand for hiring essential workers at scale during the pandemic.

In Marketing Solutions in Media & Solutions, in Japan, through *Air BusinessTools*, which is the core of our SaaS solutions, we can help clients resume business and reduce costs by using our cashless payment solution, called *AirPay*, and other solutions for improving productivity.

The relatively flexible cost structure and consolidated balance sheet, with a focus on soundness and liquidity, that are common to our three business segments, are factors that enable us to execute our long-term strategy, even during this uncertain period.

Third, I would like to provide an update on recent business operations. The spread of COVID-19 around the world has intensified, especially in March, and it is impacting our business performance for the fiscal year ending March 2021. In April, the YoY consolidated revenue growth rate decreased by approximately 21%.

In HR Technology, the number of paid job advertisements declined significantly due to the slowdown in recruitment activities around the world. Revenue began to stabilize in mid-April, although the future outlook contains significant uncertainty.

In Media & Solutions, as the Japanese government requested people to stay home due to the spread of COVID-19, our Marketing Solutions business, especially the Bridal, Travel, and Dining businesses, was affected, which resulted in a decrease in demand for advertising in these businesses.

In HR Solutions, enterprise clients reduced demand for hiring, due to the deteriorating economic outlook and, at the same time, canceled and postponed hiring events, which negatively impacted business performance.

In Staffing, COVID-19 impacted Overseas operations immediately, as many countries started to implement social distancing and other restrictions in March. In Japan operations in Staffing, the impact was limited as of April. This is because there were many cases where staffing contracts were completed before the spread of COVID-19 in Japan. However, we believe that the impact will become apparent in the future.

Around the world, we have never experienced the restrictions and lockdowns imposed by governments to stop the spread of COVID-19. The effect of this has been significant, and we believe this may result in a further decline in revenue. In Japan, I think the impact will be greater in May; it could be the bottom of the decline. However, the possibility of a second or third wave of infection remains, so we are carefully monitoring the situation.

What is more challenging, compared to estimating the bottom of the decline, is to estimate how long it will take to recover, but we are operating our businesses with a range of one to two years.

Under these circumstances, we have decided that it is not appropriate to provide the consolidated financial guidance for the fiscal year ending March 2021, due to the wide variety of uncertainties. Therefore, we do not provide the dividend forecast as well. We would like to inform you as soon as we have an appropriate and rational outlook.

Next, I will talk about the flexibility of the cost structure and current strong consolidated financial position that enables us to execute our mid- to long-term strategy. First, I will discuss the flexibility of the cost structure.

Our three business segments have been achieving adjusted EBITDA margin at appropriate levels, according to their characteristics, growth potential, future outlook, or business maturity.

In the fiscal year ended March 31, 2020, the adjusted EBITDA margin was 16.8% for HR Technology, 24.2% for Media & Solutions; and the adjusted EBITDA margin on a gross profit basis for staffing was 37.2%.

We will continue to actively invest in the HR Matching business and *Air BusinessTools*, which are at the core of our long-term strategy, in order to gain market share around the world during the post COVID-19. And, we will reduce marketing expenses at an appropriate level.

Consolidated advertising expenses for fiscal 2019 were about JPY170 billion, the majority of which are in HR Technology and Media & Solutions.

In addition, we are committed to maintaining our strong financial position. As of the end of March 2020, cash and deposits on our balance sheet were JPY421.2 billion, and net cash after deducting interest-bearing debt was JPY284.5 billion. At present, even if we assume that the business environment in April, which I discussed earlier, continues for one year or more, we believe that the decline in revenue will not impact our ability to implement our business strategy and investments in accordance with our mid- to long-term strategy.

We recently signed a commitment line agreement totaling approximately JPY400 billion, but there is no loan outstanding under this commitment line agreement as of today. Going forward, we will continue to promptly consider and implement appropriate means of financing as necessary.

Lastly, we are focused on providing a matching solution which is more convenient and efficient, in line with changes in individual users' job searching activities and consumption behavior, as well as changes in enterprise clients' hiring methods and business activities, which are envisioned in the world post-COVID-19. In order to achieve long-term business growth, and increase enterprise value, we will continue to actively invest in priority areas, even under these circumstances. To that end, we will ensure that we have a strong balance sheet so that it does not hinder the immediate execution of our strategy. We are grateful for the understanding and support of our shareholders, capital market participants, and all of our stakeholders.

That concludes my prepared remarks. Now I or Mr. Arai, who is in charge of Capital Market Strategy, will take your questions. Thank you.

Shen: Now, we would like to proceed to the Q&A session. For English line participants, please send an email to the IR address provided in the invitation email.

Question & Answer

Shen: Mr. Nagao from Nomura Securities, please.

Nagao: First, revenue in April was difficult, but you said you have a flexible cost structure. This year, how much room for cost reduction do you have? Personnel costs? And you mentioned the numbers

on the advertisement expense, this is JPY170 billion. I think that will be the target. How much room and flexibility do you have for your cost? President Minegishi, could you explain this one?

Second question is on HR Technology, if you could elaborate on the current situation. The number of job search is lower or the traffic, the users is on the decline resulted approximately minus 35% in revenue in April. If you could break this down, please. Thank you.

Minegishi: First question, room for further cost reduction. As I alluded to earlier, we have around JPY170 billion in advertising and marketing expenses as a group. This is a sizable amount. We will appropriately reduce cost according to the circumstances, and we have room to do that. And for HR Technology, of course it depends on the occurring situation from country to country as the entire group. Restructuring or headcount reduction is not being planned as a group. So, we have the SBU-based business, and each country will adjust the headcount accordingly on a country-by-country basis.

Our talents, especially in technology area, will be crucial in the post COVID-19 period. So, the key is how we can increase our market share in the post COVID-19 period. The technology-based talents and the development and the sales promotion personnel will contribute to that. So, we will be very careful in our talent planning. We will take appropriate measures.

Next, HR Technology was your second question. This COVID-19 is impacting the consumption because countries are doing lockdown and the stay-home measures and restrictions. So, the consumption is plunging in a very short period of time. During the Lehman crisis, which was a financial crisis, the impact spread gradually over the course of one year. But this time around, it came suddenly, so stay-at-home and restrictions of movement and travel are impacting various industries, many businesses are shut down, and the consumption is plunging, and so the revenue is declining accordingly. On the other hand, those on leave due to business closure are receiving big benefits and support from the government. So, they are protected for the short period of time.

In the US, unlike Japan, the employment practice is different, so there are layoffs and more unemployment. But there is a big benefit being paid for that from US government. While this benefit is being paid for a few months, the job seekers are also taking a wait-and-see attitude. But in our case, HR Technology, we are being paid from the enterprise clients. So, the recovery of the job posts from enterprise clients will lead to the recovery in our revenue.

Shen: Mr. Kinoshita from Merrill Lynch, please.

Kinoshita: Yes. This is Kinoshita speaking. In relation to the previous question, first of all, regarding the HR Technology, you mentioned that from the middle of April, the decrease has come down to stabilize to some extent. How should be interpret this? So, from mid-April, the reduction was slowed down? Or should we interpret as that, it was in the negative, but you have seen some recovery from the negative? So, I wasn't sure how to interpret that. If you could elaborate what was really happened in April, for example minus 35% in April was comprised of, minus 70% in the earlier in the month and then in the latter half it was 0% something like that. That's the first question.

And the second question, regarding advertising and marketing expenses, you mentioned that you will try to appropriately control these expenses. And in making decisions for controlling expenses, I would like to know more about your approach. For example, would you look at the share of each business and try to spend advertising and marketing expenses as to maintain that share? Or would you focus more on the profits? So even in short term, share may be reduced, but you will try to still decrease expenses to the extent possible? How should we interpret when you say appropriately control expenses? What will be the criteria that you will be referring to in making those decisions?

Minegishi: Thank you for your questions. Regarding HR Technology, the core is Indeed. The decrease became stabilized. So, the job posts and revenue correlated, as I mentioned before. In line with the job posts, we have also seen some recovery in revenue. We have seen negative numbers, but we believe we hit the bottom.

However, this recovery that we are seeing could be that it recovers but then turns to declining trends again, or that it doesn't recover as much but it remains flat, or it gradually recovers 100% or it rather takes a sudden recovery. There are various cases. But looking at the data, from around the middle of April we have seen a stop to the decline. And going forward, uncertainties remain.

As for the second point, advertising and marketing costs and how we will appropriately control these expenses, in principle we have the mid- to long-term strategy on HR Technology and *Air BusinessTools* as our target. And in a post-COVID-19 world, we would like to focus on market share. So, without holding back investments, we will try to increase share.

In the subordinate situation in post-COVID-19 in line with the decrease in revenue, there is a possibility that we will have to implement rather bold cost customer. In other words, I will take a more varied approach to resource allocation. Thank you.

Shen: Mr. Murakami from Mitsubishi UFJ Morgan Stanley, please.

Murakami: In this period, in terms of aggressive active investment, do you think because we are in this situation, this is an M&A opportunity? Is there any change in your stance?

And second question, cost of goods sold and SG&A combined in your case is JPY2.15 trillion. So, if you break this down to fixed cost and variable cost, what is the breakdown? And in the fixed cost, there may be variables like fixed cost. So, what is the breakdown, roughly speaking? Thank you.

Minegishi: Yes, mid- to long-term strategy remains unchanged. And we are foreseeing the post COVID-19 period and work to increase our market share then. So of course, it includes Profit & Loss-type investment and the personnel allocation and M&A. So, our policy remains unchanged. That is my first answer.

Minegishi: We do not disclose the numbers. I cannot be specific, but advertisement and marketing expenses are approximately JPY170 billion, and that number we disclose. Profit structure and our

EBITDA margin, we have flexible profit structure. And so, I hope you could understand our structure from those numbers and what we disclose.

Arai: As Minegishi-san said in his presentation, for staffing, gross profit-based profit will be closer to the reality. Based on this, our revenue of JPY2.4 trillion is rather JPY1.3 trillion. So, if you could use that as a number, look at the breakdown, JPY170 billion is the advertisement marketing expenses, which is sizable, and this is the portion we can control. That's what we mean by the flexibility we have.

Shen: Mr. Kishimoto from Mizuho Securities, please.

Kishimoto: Yes, this is Kishimoto. Thank you for your explanation. I just have one question. In Japan, you mentioned impact was rather small in April, and you expect the impact to be bigger in May. And you believe that in May, you will hit bottom, what is the basis or rationale for thinking that? Have you seen a similar trend in the US? Or have you referred to some data in saying that in May, you will bottom up? Or are you giving us an optimistic projection? Please tell us the rationale why you think in May you'll hit the bottom.

Minegishi: You're asking about the Japan operation.

Kishimoto: Yes.

Minegishi: For Media & Solutions SBU, the impact in May will be bigger. The rationale for saying that is based on some data that we referenced. It's wishful thinking that in May that will hit bottom. For Media & Solutions SBU impact in April, of course, was in the negative until May, as you've seen in the summary of financial results, especially in Bridal or Travel. Because of the state of emergency and certain restrictions imposed, these businesses were affected significantly. However, in the advertising business, as orders for April are received in March, therefore, the reduction may be smaller in April. In April, under this COVID-19 situation, the orders for May have been received, with full impact coming from COVID-19. Therefore, we project that impact may be bigger in May.

Because of the lockdowns and the state of emergency being eased gradually, generally speaking, people believe that May will be worst hit. Thank you.

Shen: Ms. Mori from JP Morgan, please.

Mori: First is regarding Indeed. When we break this down to US and non-US, the magnitude of the impact of COVID-19 on the current situation, how are they different? That's my first question.

And, if possible, revenue breakdown of HR Technology would be appreciated for the year ending March 2020.

And next, Media & Solutions, the recoverability anticipating post COVID-19. It seems that the profit contribution will be further down the road. There are various businesses in Media & Solutions. With COVID-19, there are many areas that will probably suffer from impact, so overall, recovering to the

EBITDA level of the year ending March 2020, it seems that recovery will take time. So, as you mentioned earlier, you will control your costs depending on the circumstances of the business and expand share. And by doing so, you do not need to wait for the SaaS contribution for profit to recover? It will not take that long? So, could you elaborate on your current view of the recoverability, please?

Minegishi: First, starting with Indeed, US and non-US, the degree of impact is pretty much similar. There was a sudden decline around the world. In April, we saw the bottom and seeing a gradual recovery. In Japan, the state of emergency declaration was in April, so the negative decline started later and recovery will also be later compared to the Western countries. But a sudden drop and gradual recovery is the same as US and Europe. And revenue breakdown for US vs non-US was 70/30.

Next, Media & Solutions SBU. Before COVID-19, we said we will aim to become a SaaS company, with *Air BusinessTools* at the center. We've been reinforcing this business, and so we increase in investment and people. Sales force will be selling *Air BusinessTools*, and we will see how this can be sold. We have not decided and implemented yet, but sales force will be reinforced across businesses and that is the structure we have already. That is how much focus we have on this business and this started before COVID-19 broke out. And with this as a trigger, it will accelerate, especially *AirPay*. This is a contactless payment solution. The number of accounts in hospitals and in pharmacies, which were difficult for us to have business connection in the past, is now seen increasing. And we have more possibility of acquiring customers with our *Air BusinessTools*.

And in other basic businesses, in Housing and Real Estate and Beauty, in sales, more than JPY100 billion in Housing and Real Estate and JPY80 billion in Beauty. These are not dropping that significantly. They're maintained. The Job Advertisement and Bridal and Dining are suffering the impact. In the job advertisement, we will see an increase as the economy recovers, as we saw in the past. But in Bridal and Travel and Dining, of course we're seeing a negative impact in COVID-19, but in post COVID-19, we'll recover to 100%? We don't know. So, if it recovers, our structure is such that we will recover accordingly. But we don't know when, what degree this recovery will materialize. So, in post COVID-19, HR Technology and *Air BusinessTools* will be the focus. And acquiring market share will be the focus in the post COVID-19 era. Thank you.

Mori: So, in the job advertisement in Japan, with this COVID-19 as the trigger, Recruit's HR Solutions and Indeed using this as a catalyst, as a trigger. Do you anticipate a change in mix or some adjustments in your strategy?

Minegishi: With this COVID-19 as a trigger, the synergy among our SBUs will accelerate further. In HR Solutions in Japan, Indeed Japan, the synergy will accelerate. We have products too. *Owned Pack* is one example we have. This is for SMEs with site creation. Indeed will include it in this package, and *TOWNWORK* will sell this. The synergy between Indeed and HR Solutions in Media & Solutions will be accelerated.

Shen: Mr. Takeuchi from Jefferies Securities, please.

Takeuchi: First, regarding HR Technology in the post COVID-19 world, I'd like to know about some changes that you anticipate on global recruitment activities. And in those circumstances, Recruit's functions or Recruit's strength, how will they be leveraged in with or post COVID-19 world in order to increase share? If you have a certain vision of post COVID-19 or with COVID-19 world, please share with us. And also, Media & Solutions for domestic operations in a with COVID-19 world, in order to achieve a stable revenue growth, what is your strategy?

In the past, the domestic Media & Solutions has been growing its revenue in a stable manner. It's capitalized on the Company's ability and agency capabilities. Also, in these circumstances, going forward, face-to-face sales may be difficult. So, with this in view, without restructuring or changes to operation, would you still be able to achieve revenue growth for domestic Media & Solutions? Thank you.

Minegishi: Regarding HR Technology, in a post COVID-19 world, for us to capture a huge market share expansion, we are currently focusing on our targets in the mid- to long-term plan. I think the most important thing is, first of all, Indeed, and its services are quite efficient for job seekers as well as employers. These services enhance the speed of matching, volume of matching, and also it reduces hiring costs. So, I believe these are excellent services.

In terms of the timeline, if we have unlimited timeline, then Indeed's platform is going to capture considerable share in the world. Or, that's what we thought. However, with this COVID-19 situation, it was a matter of time. But even with COVID-19, management is now revisiting their costs and bringing the costs back to a zero basis. That is huge impact, especially the HR department of a company or any department that is responsible for hiring. They're the same regardless of geographical locations. T

In the past, the TV commercials were the mainstream and they have certain amounts of advertising and marketing costs that go into these advertising activities. Therefore, the HR departments have become quite rigid and their performance is not fully assessed by the management. With COVID-19, I believe not only the HR department, but overall companies will be more keen to review their costs. In the past, steps taken were slow. But even in the areas of recruitment and hiring, companies will place more importance on costs and become more cost conscious. I think those are some changes that we can expect in post COVID-19.

HR departments used to be a lot of conservative, but I think they will turn to be more aggressive in providing their services. They will take time usually for certain services to take root. But with COVID-19, I think more companies will choose the kind of services that we provide, particularly *Indeed Hire*, for us. CPC, the conventional Indeed job advertising business model, mainly targeted SMEs, but *Indeed Hire* targets from SMEs to large companies and replaces the conventional hiring.

These areas are where management of a company had difficulty making rational decisions, but as they review their costs in a comprehensive manner, I think this is certainly one area that they will

be tackling. In a with COVID-19 and in a post COVID-19 world, I think this will be the biggest trigger for such change.

For Media & Solutions, conventionally we had advertising model by business verticals. But from that centered on SaaS solutions, we have embarked on a transformative journey to become a company that supports operations of enterprise clients. That is our mid- to long-term strategy. So as a company, with COVID-19 as a trigger, we would like to transform into a technology company centered on *Air BusinessTools*, along with changes to our structure. This is an opportunity that we see. And we have steered in that direction.

Shen: Mr. Tsuruo from Citigroup Security, please.

Tsuruo: First question is, again, Indeed. As of the beginning of April, what was the decline, and what was the decline at the end of April? And you said stabilizing from mid April. So, it is negative, but the negative is probably becoming smaller, and what is the situation around the world? If you could quantify, I'd appreciate it. That will help us be more confident about the trend from May onward. And what is the driver? So, the price per click has remained unchanged or for those offering similar services, you're not losing share? Or are you increasing share? I'm sure it's difficult to capture, but as much as possible. Thank you.

Minegishi: Indeed, revenue recovery or revenue status is unfortunately not disclosed. So, I cannot mention that, but Indeed website shows hiring level site. And it shows Indeed job post tracking, job post count, number of job posts are shown in a graph. So, if you could take a look at that, it will be a good reference.

Tsuruo: Thank you. How do you see the price per click and market share?

Minegishi: We do not track concrete data for the market share, but with the concept that I mentioned earlier, we will increase our market share in post COVID-19 era. For example, we offer our service for free or at a discount for certain essential workers or the public sector. And pricing for new services, we offer the pricing that is easy to bill. So, it's not the hike, the size of the pricing. The key is how much market share we can gain in the post COVID-19 period.

Tsuruo: This is about Overseas Staffing. how they are different from Japan. So, the timing of hitting the bottom, when do you think the timing will be? The other areas, we are seeing the possibility of hitting the bottom. In Japan, there are various supports offered. But in typical representative markets overseas, how are they? Are there supports that can offset the decline that you're seeing or not?

Minegishi: In the overseas market, safety net is offered for the workers. For the staffing industry and temporary workers, there are safety nets or support offered in Europe. Now our revenue, the timing of the bottom, as I mentioned earlier, it's difficult to ascertain. The lockdown is taking place, and so the jobs disappeared suddenly. The bottom, the depth will be alleviated going forward and so the one or two months of during lockdown can be viewed as a bottom for now. That is the first

point on the depth of the bottom, but we don't know how long this will be. So, in the overseas market, Overseas Staffing, in April, we suddenly saw this impact.

Shen: Mr. Tsusaka from Morgan Stanley, please.

Tsusaka: I apologize, you might have received too many Indeed-related questions, but I don't know if the piece of information I have is correct or not. But according to data that we have, the first week of May, the US hit the bottom and towards the end of May, at a considerable speed, we have seen recovery, or so it appears. Do you also share this assessment? That is the first point.

The second question is regarding overall management. In the previous global financial crisis, first the financial institutions had difficulty and then there was a time lag before the impact manifested throughout. That's a difference from this time. I think we have seen impact suddenly manifest this time and as the CEO mentioned in his opening remarks, last time during the crisis, Media & Solutions were not as affected much, but, of course, this time, we are seeing impact on consumption and consumer behavior.

In the global financial crisis, it took one year for the financial performance to bottom out. So hopefully, you will give us a general view. How do you see the difference from the previous global financial crisis? And for profit management, is there anything that you are currently emphasizing or prioritizing in order to manage EBITDA level? Under this new normal, what would be the measures that you will implement in managing your profit level?

Minegishi: Regarding the first question on Indeed recovering towards the end of May, I understand the data, but this is not something I can talk about. As I've repeatedly mentioned, again, I will refer to the same comments I gave earlier.

On the second point, I agree with you. For the difference from the global financial crisis, the shock or the impact came rather suddenly. Lockdowns and other restrictions are being imposed. This created adverse impact in a short period of time. How to control the impact and ease those restrictions in a gradual manner will be key. Do we stay at the bottom for a prolonged period of time? That will be the biggest trouble or the worst problem, so for the depth of the impact, I think we now have a good idea in assessing the degree or the depth of this impact. But as for how long this will last, there remains some uncertainties and it's difficult for me to say how long this is expected to last.

The biggest risk I would say is there have been various economic measures implemented but consumers afraid of being infected would not turn to consuming or consumption activities, and this deters economic recovery. So, value chain, B to B, large companies to financial institutions, impact spread. As lockdowns measures are being eased, and the same for Japan, restrictions on consumption are being relaxed. And with the requirement that the infection does not reemerge, then the consumption can resume. Therefore, we believe that recovery will be gradual. It was 100% recovery. So, the next few months will be key in ascertaining the depth and the length of this impact.

Whether it will be one year or two years, we don't know, but at the very least, recovery is expected, and that will be used as a basis for operations.

In the medium to long-term, in the post COVID-19 world, as we aim to expand our shares, our mid-to long-term strategy will be implemented and we will be investing in services that will help expand our share. That's all. Thank you.

Shen: Thank you. We still have a little time left, but we took your questions, so we will end here. Thank you very much again for your attendance.

[END]