

# Recruit Holdings Q2 FY2020 Earnings Call November 16, 2020

---

**Shen:** Welcome to Recruit Holdings' fiscal 2020 Q2 earnings conference call. I am Shen from IR and I will serve as the moderator.

Today we have Junichi Arai, Executive Officer of Capital Market Strategy, and Yasushi Hashimoto, Executive Manager of Disclosure and the Individual Investor Relations Department. Arai-san will briefly go through the Q2 fiscal 2020 results we announced at 3:00 PM and then proceed to the Q&A session.

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

**Arai:** Thank you for your participation today. I am Arai, Executive Officer of Capital Market Strategy of Recruit Holdings.

The global spread of COVID-19 and measures to help prevent the spread has a broad impact on our Group's business performance. But our main priority is still ensuring the safety of our employees and their families, as well as individual users, enterprise clients and business partners, while preventing the spread of COVID-19.

Even in such an uncertain business environment, we are executing our mid-to-long-term business strategies without hesitation. We aim to become the global leader in HR Matching, which spans Large Online Job Advertising, Placement and Search and Temporary Staffing market, with the HR Technology Segment at the core; and improve the productivity of clients' businesses through SaaS Solutions, with a focus on Air Business Tools in Marketing Solutions in Japan. To that end, we will continue to aggressively invest for growth, while always considering timing and scale.

In order to make hiring simpler and faster for employers' HR Technology, which leads our HR Matching Business, has focused its investment on product development; and accelerated its innovation, leveraging its data, technology, and insights to automate today's manual recruiting processes.

In Q1, Indeed launched a product which allows job seekers and employers to complete most of the hiring process online, such as searching for jobs, applying and scheduling interviews, which is called Virtual Hiring Events. HR Technology also accelerated the development of a proprietary virtual interview platform, built specifically for hiring, and during Q2, fully integrated this into the Virtual Hiring Event products.

In addition, with unemployment at record high levels in the US, in order to help job seekers get back to work quickly and support employers' recruitment activities, HR Technology broadly introduced those solutions through a national Virtual Hiring Tour, which consisted of a series of events over six weeks across the US, resulting in over 100 interviews.

Air Business Tools in Media and Solutions offers Cloud-based Solutions which are designed to help reduce workload and improve productivity for small- and medium-sized enterprises. We are continuing to develop these Solutions and believe they can play a significant role while the business environment in Japan is changing significantly due to the spread of COVID-19.

Inquiries have been especially high for AirPay, a Solution for accepting contactless payments; AirWait which helps shorten times; and AirReserve which is a reservation management Solution that helps avoid crowds.

We continue to invest aggressively in Air Business Tools, even in such a difficult environment. Regarding these Air Business Tools, it is on our IR part site of our website. Air Business Tools are being introduced through a five-minute video, so if you have time, please take a look.

As we announce our Q2 FY2020 results today, we also assess the current global business environment surrounding us. Despite the recent strength in recruiting demand in some industries and increased consumer spending, we expect that global HR Matching market's recovery and stabilization will be gradual. Some countries and regions have already started to reimplement lockdowns, and the business environment continues to evolve rapidly. Therefore, the Company's outlook remains cautious.

However, assuming that the spread of COVID-19 will not worsen to the extent it causes severe and prolonged lockdowns of major cities, and assuming the business environment will not deteriorate significantly throughout the second half, we decided we can make a reasonable estimate of the outlook for the second half and the fiscal year ending March 2021. Today we have provided the consolidated financial guidance for the fiscal year ending March 2021. We've already disclosed our financial guidance in the financial statements and FAQ, but I will explain it together with the Q2 and first half results.

All comparisons to historical results, such as revenue growth rate and revenue decline rate, will be reported on a YoY basis. Also, adjusted EBITDA, which is a target and management key performance indicator, may be abbreviated to EBITDA. Please refer to the detailed guidance in questions 3 and 4 in the FAQ's on the IR website while listening to my presentation.

Now, I will talk about the consolidated results of operations for Q2 FY2020. In Q2, with declines in all three business segments, consolidated revenues decreased by 6.2% YoY. However, the revenue decline rate improved QoQ in each segment.

Excluding the revenue from the Rent Assistance Program by The Small and Medium Enterprise (SME) Agency of the Ministry of Economy in Japan, consolidated revenue for Q2 decreased by 11.1% YoY. Consolidated adjusted EBITDA decreased by 22.6% YoY and adjusted EPS decreased by 29.8%, which are our target management KPIs.

Also, in the face of significant uncertainty, we continued to control costs in Q2. SG&A expenses decreased by JPY21.8 billion YoY, mainly due to a reduction in marketing expenses, such as advertising and sales promotion expenses, and a decrease in sales commissions. During the first half of FY2020, even in a challenging environment, we acted quickly and decisively to reduce marketing expenses and we demonstrated our ability to flexibly manage costs.

Next, I will talk about the details of the consolidated financial guidance for FY2020. We disclosed the financial guidance in ranges, which are based on the following exchange rate assumptions: JPY107 per USD1, JPY121 for EUR1 and JPY74 per AUD1.

Consolidated revenue for FY2020 is expected to decrease in a range of 6.5% to 10.4% YoY. This is based on a first half YoY revenue decline of 13% and an expected second half YoY revenue range between a decrease of 7.8% and flat compared to the previous year.

Consolidated adjusted EBITDA is expected to be in the range of JPY210 billion to JPY245 billion for FY2020. Consolidated adjusted EBITDA for the first half was JPY123.4 billion, a decrease of 30.6% YoY; and adjusted EBITDA margin was 11.8%. For the second half, adjusted EBITDA is expected to be in the range of JPY86.6 billion to JPY121.6 billion, a decrease in the range of 17.5% to 41.2% YoY.

Adjusted EPS for FY2020 is expected to be in range of JPY62.83 to JPY77.83. Adjusted EPS for the first half was JPY41.83, a decrease of 38.4% YoY. For the second half, it is expected to be in the range of JPY21 to

JPY36, assuming the amount of depreciation and amortization and other adjustment items will be similar to the first half.

Regarding dividends for FY2020, the Board of Directors has resolved to today on the payment of interim dividends of JPY9.5 per share. The dividend is expected to be JPY9.5 per share for the second half as well, and JPY19 per share for the full year.

Next, I will talk about the results of operations and financial guidance for the second half by segment.

First is HR Technology. Revenue in HR Technology in Q2 declined by 2.3% YoY on a US Dollar basis. During Q2, many businesses resumed operations, as several of the restrictions and measures put in place to limit of the spread of COVID-19 were eased in each country. This supported a continued rebound of recruiting and hiring activity and improving revenue trends that began in the latter half of Q1, particularly in the US, with strong demand from SMEs and additional hiring demand from several very large companies.

Additionally, during Q2, job seeker activity on Indeed and Glassdoor rebounded to near pre-COVID-19 levels.

Recently, cities and countries, especially in the US and Europe, have announced new lockdowns and businesses are being forced to close again. So, we are very cautious about the pace and trajectory of continued improvement and how those conditions may affect recruiting and hiring activities.

Segment adjusted EBITDA declined by 39.5% YoY, primarily driven by a decrease in revenue and increased investment in product and technology initiatives to dramatically simplify hiring processes. Adjusted EBITDA margin was 14.3%. Despite continued economic uncertainty and reaction to Q2 revenue trends, HR Technology increased marketing investment compared to Q1 and resumed limited hiring in the latter half of Q2.

Revenue on a US Dollar basis for the first half decreased 13.7% YoY and adjusted EBITDA declined by 48.3% YoY. HR Technology's revenue on a US Dollar basis for the second half is expected to be in the range of a decrease of 5% to an increase of 9% YoY.

Adjusted EBITDA margin for the first half was 12.7%. For the second half, in order to improve its revenue trend globally in the short-term and to accelerate revenue growth in the mid-term, HR Technology will continue to invest in sales and marketing activities and in product enhancements. As a result, adjusted EBITDA margin for the second half is expected to be in the mid-teens.

Next, I will talk about the results of Media and Solutions. Revenue for Q2 declined by 9.3% YoY. Excluding the impact of the Rent Assistance Program, revenue decreased by 24.8% YoY. Mainly due to a decline in HR Solutions, adjusted EBITDA declined 28.4% YoY, and adjusted EBITDA margin was 19.8%. For the first half, revenue decreased 19.1% YoY, adjusted EBITDA decreased 37.1% YoY, and adjusted EBITDA margin was 20.2%.

For our businesses in Japan, we are applying the same assumptions as our consolidated guidance discussed earlier.

Media and Solutions expects to continue reducing overall operating expenses, such as advertising, while resuming investments in businesses which have started to show recovery in their revenue trends. Therefore, adjusted EBITDA margin for the second half for Media and Solutions is expected to be approximately 12%.

I will discuss Marketing Solutions and HR Solutions separately.

Revenue in Marketing Solutions in Q2 increased 11.9% YoY. Excluding the Rent Assistance Program, which is included in Others, Revenue declined 14.8% YoY.

In Housing and Real Estate and Beauty, the spread of COVID-19 had a minor impact on individual consumption behavior compared to the other Marketing Solutions Subsegments. As a result, revenue returned to YoY growth. However, Bridal, Travel, and Dining continued to experience COVID-19-related headwinds and YoY revenue declines continued in Q2.

Adjusted EBITDA in Marketing Solutions decreased 1.7% YoY and adjusted EBITDA margin was 24.9%. Marketing Solutions continued to manage its operating expenses strategically and flexibly, mainly by reducing marketing expenses due to a decrease in revenue. Excluding the Rent Assistance Program, the Adjusted EBITDA margin for Marketing Solutions improved YoY.

Despite the challenging business environment, we continue to see strong demand for Air Business Tools. Individual users' preference for contactless payments supported further demand for AirPay accounts, which continued to grow steadily to approximately 171,000, an increase of 68.8% YoY, at the end of September 2020.

For the first half revenue, Marketing Solutions decreased 7.2% YoY. For the second half, Housing and Real Estate and Beauty are expected to continue to improve. Travel is expected to recover compared to the first half, supported by the Japanese government's Go To Travel campaign. However, the challenging business environment is expected to continue for Bridal and Dining.

As a result of the Go To Eat campaign, the number of bookings on our dining online reservation platform has been rapidly increasing. However, this campaign ended on November 15. Due to HOT PEPPER GOURMET's advertising-based revenue model, the increased number of bookings will have a limited positive impact on revenue in Dining.

Excluding the Rent Assistance Program, revenue for the second half is expected to be in the range of a decrease of 9% to an increase of 6% YoY. This is assuming the impact of changing conditions in the size and duration of the Go To Travel campaign in the Travel Business.

In HR Solutions, revenue decreased 38.7% YoY. This was due to reduced hiring demand from enterprise clients in response to the spread of COVID-19 that began in Q1 2020 and continued in Q2. In particular, revenue from the part time job boards declined most significantly YoY, due to a concentration of enterprise clients in the Hospitality Sector, which were especially impacted by the spread of COVID-19 and whose demand for hiring sharply decreased and remained low throughout Q2.

The Placement Business operates on pay-per-hire model, in which revenue is recognized when a candidate is hired by an enterprise client. As a result, revenue from the Placement Business in Q2 declined YoY due to reduced hiring demand in the midst of the pandemic during Q1.

Adjusted EBITDA in HR Solutions decreased 58.5% YoY, due to decreased revenue and adjusted EBITDA margin was 18.3%. This was mainly due to strategically reduced operating costs and weak performance in the Placement Business, although its sales commissions lowered as a result of decline in revenue.

For the first half revenue in HR Solutions declined by 35.3% YoY. As for the second half, while there have been recent signs of recovery in the part time job board services, revenue is expected to decrease approximately 25% YoY, mainly due to the expectation for continued weak demand for placement services.

Next, I will talk about the results of Staffing.

Revenue in Q2 decreased 6% YoY. Adjusted EBITDA increased 6.3% YoY and adjusted EBITDA margin was 7.5%. For the first half, revenue decreased 9.1% YoY, adjusted EBITDA increased 3.4%, and adjusted EBITDA margin was 7.4%.

For the second half, both revenue in Japan and overseas operations are expected to decline YoY. While continuing cost control measures, adjusted EBITDA margin is expected to be approximately 5%. This is mainly due to a decline in adjusted EBITDA margin in Japan operations caused by a decline in revenue and an increase in advertising expenses.

I will now explain Japan operations and overseas operations separately, starting with Japan operations.

Revenue in Q2 decreased 0.7% YoY. Although billing prices increased following the implementation of the “equal pay for equal work” regulations beginning April 1, 2020, the decline was mainly due to one less business day in the quarter compared to the previous year; and lower demand for new orders since Q1, which resulted in a decreased number of temporary staff in Q2.

Adjusted EBITDA for Japan operations increased 20.7% YoY. While continuing to monitor costs in relation to labor market supply and demand, this improvement was mainly due to ongoing cost control measures, which included reducing travel costs. Adjusted EBITDA margin was 9.9%.

Revenue in Japan operations for the first half increased 2.6% YoY. For the second half, as we expect weak demand for Temporary Staffing service, revenue is expected to decline in the range of approximately 5% to 10% YoY.

Next is overseas operations.

Revenue in overseas operations in Q2 decreased 10.2% YoY. This was primarily due to restrictions on enterprise clients’ business operations, in order to mitigate the spread of COVID-19, and uncertainty about the future, which led to a significant decline in demand from enterprise clients for temporary staff. Although the operating environment and results differed by country within overseas operations, the YoY decline in monthly revenue gradually improved throughout the quarter.

Adjusted EBITDA declined 10.6% YoY and adjusted EBITDA margin was 5.4%. Even in an uncertain global economic environment, overseas operations maintained a positive adjusted EBITDA margin by taking prompt and appropriate actions in response to labor market trends and government programs in each overseas market, and by strengthening ongoing cost control initiatives.

Revenue in overseas operations for the first half decreased 18.3% YoY. For the second half, revenue is expected to decline in a range of approximately 8% to 12%.

That concludes my explanation of the financial performance by segment.

We are focused on executing our business strategy, with a mid-to-long-term perspective, not short-term, closely monitoring current business trends in Japan and overseas, and how they will impact our business. We are grateful for the understanding and support of our shareholders, other capital market participants, and all of our stakeholders.

Please refer to the earnings release and the materials on our website as appropriate, which include the contents of today’s presentation.

Now we will take your questions. Thank you.

## Question & Answer

---

**Shen:** Now we will take your questions. Thank you. Now we would like to proceed to the Q&A session.

For participants on the English line please email your questions to the IR address; recruit\_hd\_ir@r-recruit.co.jp.

SMBC Nikko Securities Mr. Maeda please.

**Maeda:** Yes, thank you very much. I have two questions. Can I ask those questions together?

**Shen:** Please.

**Maeda:** First question is, the point that you mentioned earlier Virtual Interview Platform, these new products, how much of a differentiator is this? Other companies have similar technologies or not? You mentioned more than 100,000 interviews were held as a result of this. So, clients and the job seekers, users, how are they responding to this? That's my first question.

And the second question. Towards the second half in the Temporary Staffing you are anticipating cost increase. Like we saw a few years ago, rather than appealing to the enterprise client side this is a more of a marketing to capture more temporary staff? The promotion cost in the second half and if there are any other segments that you anticipate cost increase please share them with us.

**Arai:** Thank you very much. Your first question, these new initiatives, new customers and the existing customers' new demand are being catered to. We are trying to take slow, steady steps, persistent steps under this very difficult situation so that it can boost our revenue and profit post COVID. So, our marketing activity is part of our marketing activity and marketing cost. Indeed and Glassdoor has the data accumulation, massive amount of data and the relationship with our customers, so we need to reinforce that and capture new customers and raise revenue from new customers. We think our efforts will lead to that. So we think that we are the only one who can deploy and rollout such service.

How we can support our job seekers more and how we can solve problems or headaches of the enterprise clients will determine our future, for us to become the largest player or the leadership player in the HR Matching globally.

Now your second question about the Temporary Staffing Business in the second half. As you correctly mentioned, the economic recovery and the recovery in the Temporary Staffing Business, we are standing by, we are preparing ourselves. So that we can meet the customers' demand when the economy recovers. So, towards the end of the second half we will spend sufficient amount of cost to prepare ourselves, especially in Japan. So, we will post such cost and therefore the margin will be much lower.

And likewise, in Media and Solutions, especially in the Marketing Solutions, the business is stabilizing and recovering in some areas. So we are now becoming more aggressive in spending costs, especially towards the fourth quarter. So, we will do such investments, so as I mentioned earlier the EBITDA margin for Media and Solutions, that is why we are projecting the level this way.

**Maeda:** Thank you very much.

**Shen:** Thank you. Mr Takeuchi from Jefferies.

**Takeuchi:** Hello this is Takeuchi speaking. Thank you.

**Shen:** Yes, please go ahead.

**Takeuchi:** I have a question about SG&A expenses. As you said before, Staffing, Media and Solutions as well as Marketing Solutions, in those areas in the second half promotion and marketing cost will be increased in the second half. I believe they will be increased to a level or actually margin for the second half is expected to be lower than before. Should I understand that these investments to be one-time investments? And am I understanding correctly that the margin levels will recover to the March 2020 level as a result of that?

**Arai:** We are not in a position to make any comment about the figures that we are expecting for the next year. We've just started the second half and there's still much uncertainty. So for the next year, as we approach the timing, perhaps I will be able to talk more about it. But the margins will be lower for the second half, this is due to, of course the revenue and the profit that I mentioned. They will not recover all across the board. However, at the same time, we will consider doing promotion and marketing activities and investments for that. And therefore, while our revenue remains at the same level, the margin will be lower. Before revenue recovers to the level previously seen, we are not making those marketing investments but for those areas where we see signs of recovery for, where we see some level of certainty, we are making those investments in a strategic manner. And in the second half that will be our approach to those specific areas.

**Takeuchi:** I understand. Thank you.

**Shen:** Thank you. Any other questions? Merrill Lynch Securities, Mr Kinoshita please.

**Kinoshita:** Yes, thank you. BofA Securities is the new company name but I'm still same, same Kinoshita speaking. So I have one question. The marketing in the second half is just starting to see a silver lining. In staffing, you will spend marketing cost and that is the underlying basis I hear. Are you starting to see a silver lining or you think it will structurally recover so you are trying to preemptively take steps or you think this is a good timing to capture market share so you want to enhance the business? What is the background to this domestic Temporary Staffing cost in the second half? What is the background to your plan? That's my first question.

**Arai:** So the timing is still being scrutinized. In the second half towards the fourth quarter we will be spending promotional cost and to do that we have a projection that the business will recover, that's why. The pace of recovery, the trajectory of recovery is still unknown, but when there is customer demand we have to meet them.

And in terms of workstyle, we want to introduce good jobs as soon as possible, so that's why we want to be fully prepared. If the market environment declines further, then the timing may be pushed out. But our current estimate is that the recovery will come towards next year in Japan, so based on such assumption we are making this plan. But it's not going to be a radical, rapid recovery. It will be a gradual recovery. And for that we want to be fully prepared. So please understand that this is our will.

**Kinoshita:** Understood. So you think the entire market will recover?

**Arai:** We will not recklessly spend cost to capture market share, we will not do that.

**Kinoshita:** Another question. Do you have the same thinking for the other businesses? Other companies may have a strategy to capture market share while they have the financial strength, this may be a valid strategy.

**Arai:** So we don't know who we think of a competition, but while the market has the demand, we want to do the investment and develop products and services that are available. This may not lead to the revenue right

away next year but it will be a foundation for our future business. And if we think it is important, then whether or not revenue is there, we will make upfront investment, and that sense remains unchanged.

**Kinoshita:** Understood. So especially in marketing, what you mean, there's not much, so in the marketing cost you will not be too aggressive in going after market share? You have a longer-term perspective?

**Arai:** Yes. So other players may be weaker and maybe the business will come to us as a result but that is not our sole purpose.

**Kinoshita:** Thank you, understood.

**Shen:** Thank you. Mr Tsusaka from Morgan Stanley Securities.

**Tsusaka:** Yes, this is Tsusaka speaking. I have two questions. First is about HR Technology the other about staffing services. For staffing services for Japanese operation, you mentioned 5% to 10% decrease YoY. So the billing price overall for the market has increased by 5%. So utilization, are you expecting to decrease by 10% to 15%? I believe that's what you're assessing. But this sounds a bit off, there's no new offers being made, but I think you're still being too conservative and accounting too much risk into this estimate. So, this is the figure that caught me by surprise in a way because they seemed off. What are your thoughts on this?

**Arai:** As we already announced, the number of workers already on the job is decreasing day by day. So we are not expecting any sudden recovery or drastic recovery, that is our assessment for the second half. I understand what you're saying but for the time being, I understand that you consider this to be a very conservative view.

**Tsusaka:** I see. And for the HR Technology, on the US dollar basis, minus 5% to flat is your estimate. So, let's say this will be flat, let's assume that this will be flat, putting aside whether it will be correct or true. But in the second half you said it will be mid-teens, so EBITDA margin, hypothetically, let's say will be 15%, taking the middle, this is just me taking hypothesis from a rough estimate. But in any case, as the revenue remains unchanged and EBITDA margin will be increased slightly from the 13% from the previous year. So that gives us an image that HR Tech isn't really being invested in, so the HR revenue, HR Technology revenue remains the same. So it seems that there haven't been much investments made. So the revenue and EBITDA margins for the HR Technology Segment, how should I see this? For the second quarter, I believe investments were made and that resulted in the margin level that we are seeing. So, please explain about this.

**Arai:** So we are presenting a range so the margin, we are saying 15% but there's going to be variance. We say mid-teens, so please take that into consideration that there will be variance.

As for investments, there are two things to consider. First, is advertising and also PTE, Product, Technology and Engineering and investments into those things, so these are two large investments. The first is the commercials and advertising expenses. The second is our investments in human resources. And investments should be seen by a combination of the two. If the revenue recovers greatly, then of course we will invest more in advertisement. On the other hand, for future product and services to be considered, we need to also invest in PTE, so it's always going to be a combination of the two.

So on the internet there will much advertisement on the internet, so obviously decision making will be more quick. The advertising expense, we've started resuming from the second quarter but it's not a full throttle investment, like we did in the previous year. So while we are controlling that, we are aiming to increase the margin or there may be a case that we see decrease in the margin. But in any case, we'll continue to carefully see the situation in the second half of the year.

**Tsusaka:** Thank you very much.



**Shen:** Thank you. Nomura Securities Mr Nagao please.

**Nagao:** This is Nagao from Nomura Securities. I have two questions. First, maybe I could not understand fully, but in the second half, HR Technology EBITDA projection is mid-teens. So along with that in HR Technology, the equity-based incentive system is introduced. So, the impact to the EBITDA margin, starting the second half, there may be a few percentage points decline from this mid-teens? Could you explain the correlation there?

**Arai:** So, our second half projection is mid-teens as we said. As I will explain later, the HR Technology Business, equity-based incentive for the employees, it's including that. We're mentioning mid-teens including this factor. HR Tech employees will have this equity-based incentive. Currently it's cash-based, long-term incentive plan and there's still some remaining and on top of that there will be this new equity-based incentive from early next year.

So, to elaborate on this, this new structure will not be the uniform payment, it will be in a step-wise manner, accelerated vesting is being planned. And therefore, for the next one or two years, we will shift from the old to new system. It will be a transitional period where two overlap. So, as we mentioned in the FAQ, HR Technology EBITDA, a few percentage two or three percentage points impact will be seen for a short period of time. But revenue flat, and the number of employees is flat that's the assumption. And we are introducing this plan to increase the revenue, so as the revenue increases the payment to employees will be increasing accordingly. So we don't know if it will actually be that percentage but the current projection is that we will see this impact in a short period of time. For the second half, it is a timing where we will see this or not, maybe this will come into play in the fourth quarter. So, this impact on the mid-teens for this fiscal year, from the equity-based incentive system is small.

**Nagao:** Thank you, very clear.

**Shen:** Thank you.

**Nagao:** My second question is, in the second half in the Marketing Solutions excluding the rent assistance program, is revenue declined of 6%, to plus 6%, this increase and decrease comes from mainly where? So this is just a variance, fluctuation, purely from COVID-19? And where do you think you will mainly see this? So could you enlighten us on the background of this range?

**Arai:** Thank you. So, minus 9% to plus 6% is the range that we announced today. Excluding, plus 15% to plus 30% is case, including the rent assistance program, this range is mainly because of our fluctuation in the travel. If the travel campaign becomes longer or the budget becomes larger, or if it ends sooner than we thought, think, or the amount allocated to us may be bigger or smaller. So that's why we are taking all these into account and came up with this Media and Solutions, Marketing Solutions range and that accounts, this factor accounts for majority of this range.

**Nagao:** Thank you. One more follow-up question if I may.

**Arai:** Thank you.

**Nagao:** Media and Solutions in the second half, EBITDA projection. Total EBITDA margin will be 12% plus or minus, so could you break this down to Marketing Solutions and HR Solutions? Are there differences between the two? If you could give us some nuance?

**Arai:** As I said earlier, the HR side revenue in the second half will be minus 25%. So, no upside or downside, 25% or so. So the impact of this business to margin is quite sizable. So to answer your question Nagao-san, the impact is bigger on the HR Solutions side.

**Nagao:** Thank you very much.

**Shen:** Mr Kato of CLSA.

**Kato:** This is Kato of CLSA. I just have one question.

**Shen:** Yes please.

**Kato:** As for overseas staffing services, US, Europe and Australia, we see revenue and, or what do you expect the revenue and EBITDA to be in those regions for a quarter, or for the second half?

**Arai:** We do not give regional or geographical breakdown on a quarterly or half year basis. At the end of the fiscal year we do a breakdown of revenue but not during the term. We do not disclose this information. I appreciate your understanding on this. Our first quarter and the second quarter it appears that to have improved, on the other hand we are seeing lockdowns in Europe and other measures. So of course, we need to remain cautious. We are not seeing any recovery trend as of today, so especially Europe and also the US, we are starting to see impact come out from regions that are cold. So we need to carefully monitor the situation.

**Kato:** Thank you.

**Shen:** JPMorgan Securities Mori-san please.

**Mori:** Thank you. I have two questions. HR Tech is my two questions. Indeed hire, the placement service what trend are you seeing under COVID? The placement of business in Japan is quite difficult but in this new business, qualitative is fine so could share with your trend? The trend you seeing? For overseas?

**Arai:** This is the HR-related business. We are trying to accumulate, foment market to ramp up, that's our strategy. So during COVID-19 period, it does not grow significantly. So we are trying to explore this to our clients steadily.

Recruiting Solutions that I talked about earlier, this is now on the existing platform. So it's fairly easy to provide this to the existing customers, so online, virtual, and remote environment, this is easily accepted by our customers. So including these events, we are actively engaging ourselves in the events.

**Mori:** Thank you very much.

**Arai:** We have to wait for the market to recover. Because of the nature of the service, the difficult to expect big changes. It's not a product that is put on to the existing platform, it is being introduced to new customers, and so when we see opportunity we promote, we have to do the promotion when we see the opportunity. So, for now, under the current circumstances, it's easier to add something to the existing platform to see the outcome.

**Mori:** Thank you. Understood.

Now second question overlaps with your answer earlier. New functions and services are being launched, how big do you see will contribute to the revenue recovery, the customers' recovery or the new exploration, new development of new customers with new services. Which factor will be a bigger contributor? New customer development, could you elaborate on that?

**Arai:** New customer, difficult question. There are two sides, capturing new customers for new revenue and have the existing customers use more of our services, which will lead to revenue increase. So there are two. I think Mori-san you know well the SME clients, self-serve clients, without our promotion or reach, when they

want to hire people, they will come back to us. So we are hoping that that will be the case and if they could pay for the advertisement, our revenue will naturally increase. So, once the market environment improves and companies' clients will want to hire people and use us first and pay to us for the service, then our market share will increase. So, no matter which method, if the clients can come back to our site, and place ads on our site and use it conveniently, then we can offer various menus and the revenue from existing clients will also increase. That's the plan we have.

**Mori:** Thank you very much.

**Shen:** Thank you. Are there any other questions?

It seems there are no more questions. It's a bit early but we would like to conclude this call. Thank you very much everyone. Thank you.

[END]