

Investor Day - Simplify Hiring

Yoshihiro "Yoshi" Kitamura / Masamichi Yamaguchi - Simplify Hiring in Japan

March 27, 2024

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Yoshi: My name is Yoshi, and I am the Executive Vice President and Head of the Matching & Solutions Business unit at Recruit Holdings.

Since joining Recruit about 27 years ago, I have primarily been involved in the company's operations within Japan. I would like to provide an update on the progress of Simplify Hiring in Japan, a strategy that spans across all three Strategic Business Units.

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First, let me discuss the current state of the HR matching market in Japan. As shared in earlier presentations, the global HR matching market is valued at approximately \$327 billion US dollars. Within this, Japan holds the position as the second largest market in the world, following the United States.

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Deko mentioned that, as a common issue globally, searching for a job remains challenging and the recruitment process is inefficient. Japan faces similar issues.

The HR matching market in Japan has many unique characteristics, and it is crucial to understand these characteristics in order to effectively deliver on our strategy to Simplify Hiring.

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First, Japan has been experiencing a serious labor shortage.

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As Japan faces an aging population and declining birthrate, the working-age population has continued to decrease over the past 20 years. By 2040, it is expected that there will be a shortage of approximately 11 million people in the labor supply compared to labor demand.

I am convinced Simplifying Hiring is critically important in Japan. For job seekers, it provides support to make it faster and easier to find a job. For employers, it significantly streamlines the recruitment process itself.

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Second, there is a low rate of people changing jobs.

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In recent years, Japan has made progress in transforming its distinctive employment systems, including moving away from lifetime employment. However, according to a survey by Indeed, Japan has a lower rate of job change compared to other countries: less than 60% of respondents in Japan reported switching jobs, whereas this rate exceeds 90% in countries like the US and the UK.

For those who have never changed jobs and do not have much knowledge about how to do so, finding a suitable job from the many available options is not easy. Even for those with experience, changing a job

requires a lot of effort and time. Although many people "wish to change jobs," the actual percentage that do so the following year remains just over 10%.

Among the reasons for not changing jobs, one in three people cited lack of time, and not finding the desired job was also among the top reasons. Therefore, we recognize the importance of making the process of finding the right job faster and easier.

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Next, let's look at the market fragmentation of Japan.

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Many employers, including us, have developed services to support matching within specific categories in order to meet the diverse needs of job seekers, dividing job boards by: employment type such as full-time, part-time, and temporary work; by timing such as new graduates and career changes; as well as by region such as Tokyo and Osaka.

As a result, there are approximately 28,000 employment agencies, about 44,400 temporary staffing agencies, and numerous job boards in Japan.

In the highly fragmented HR matching market, job seekers are able to search for job listings on job boards that are filtered based on their desired work style.

This provides job seekers the advantage of easily finding job listings that match their needs, and it gives hiring companies the benefit of being able to target their job advertisements to specific groups.

However, this segmentation tends to limit job seekers' opportunities to realize their potential or to find job listings that might suit them better.

For employers, choosing between multiple job boards, setting budgets, and creating job listings in various individual formats can make recruitment tasks inefficient due to the limited reach to potential candidates and the complexity involved.

While maintaining the benefits of traditional segmented HR matching services, we are leveraging our unique data and technology to respond to changes in work styles and skills-based matching. We are exploring ways to evolve so that a diverse range of job seekers and jobs can be matched more efficiently.

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The Recruit Group has been involved in the HR matching business within Japan for over 60 years, since its inception. It started with job advertisement magazines aimed at college students and has continuously evolved by anticipating changes in society and industries. By disrupting ourselves, we have repeatedly created new business models, transitioning from print to online media, and then to matching platforms.

Since Indeed began its operations in Japan, Indeed offers added value that simplifies the processes for both job seekers and employers.

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Going forward, we plan to further advance Simplify Hiring in Japan across the three Strategic Business Units.

As part of this effort, at the end of January this year, Indeed has started the nationwide rollout in Japan of Indeed PLUS, a job distribution platform that efficiently matches job seekers and employers. Indeed PLUS combines the power of our HR Technology platform with the data and insights of our various Japan-based HR solutions like Townwork and Rikunabi NEXT. These job boards in HR Solutions are now linked to Indeed PLUS.

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In HR Solutions, we have traditionally operated several paid job boards such as Rikunabi NEXT, Townwork and others, using an advertising fee-based "Pay Per Post" model.

As they link to Indeed PLUS, the job boards in HR Solutions will transition to a "Pay Per Click" model, which is an auction-based pay for performance model. This change will enhance the transparency of cost-effectiveness for employers compared to the Pay Per Post model.

We believe HR Solutions in Matching & Solutions is able to transform into an HR technology business through the evolution of business models and pricing models.

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For the twelve months ended December 2023, HR Solutions revenue was approximately 310 billion yen, with job boards in the full-time and part-time job recruitment areas alone accounting for approximately 115 billion yen.

Meanwhile, Indeed's revenue within Japan for the same period was approximately 68 billion yen.

The launch of Indeed PLUS is expected to attract new business clients and increase the average revenue from existing clients. As a result, HR Technology revenue in Japan is anticipated to grow further. This growth is supported by the Indeed PLUS value proposition of streamlining hiring processes.

From here, I would like to pass it over to Masamichi, SVP of Product for HR Solutions. He will give you an update on Indeed PLUS and how it simplifies hiring in Japan.

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Masamichi:Hi, I'm Masamichi from the Product Management team at HR Solutions. I've been working in Product Strategy in HR Solutions since 2018.

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Indeed PLUS is a job distribution platform developed over several years through close collaboration between Indeed and HR Solutions.

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When employers post a job through an applicant tracking system, known as an ATS, linked to Indeed PLUS, the job is automatically distributed to the most suitable job boards within the Indeed PLUS network based on the job description.

This allows job seekers to choose from a wider range of jobs, and employers can expect to hire the most suitable talent more quickly and efficiently, from a larger pool of candidates. Attracting a larger pool of candidates is a critical challenge in the Japan labor market where there is a serious labor shortage.

As Kitamura-san mentioned earlier, most job boards in HR Solutions have become job boards linked to Indeed PLUS. We expect the number of job boards linked to Indeed PLUS will increase as third-party job boards outside Recruit Group join this network to provide more opportunities to the job seekers who use their job boards.

Additionally, Airwork ATS and JobOp, which are ATSs operated by Recruit Group, are already linked to Indeed PLUS. Other than ATSs operated by our group, 26 ATSs are already planned to be linked to Indeed PLUS.

For ATS providers, linking to Indeed PLUS is expected to expand the range of job advertising platforms where jobs can be posted and, consequently, reach a broader audience of job seekers, without incurring additional costs. Therefore, we anticipate an increase in ATSS linked to Indeed PLUS in the future.

From here, I will discuss the features of Indeed PLUS from three perspectives: data standardization, reach, and matching.

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The first perspective is data standardization.

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Traditional job advertisements were created according to the format of each individual job board, making it time-consuming and labor intensive for job seekers to compare multiple job listings with different formats and content including application requirements.

Similarly, employers had to review applicants' documents in the different formats of each job board, leading to an inefficient recruitment process. Job postings created by an ATS linked to Indeed PLUS become easier to compare as the job descriptions and other recruitment details are standardized, allowing job seekers to more easily find jobs that suit them.

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On Indeed PLUS job boards, a service called "Resume" has been introduced that allows for the easy creation of resumes in a cross-service format. With "Resume," job seeker information is standardized and structured in a way that AI can more easily understand, facilitating recruitment based on experience and skills. This enables employers to recruit the most suitable talent accurately and quickly.

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The second perspective is Reach.

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According to a survey by Indeed, more than 90% of job seekers in Japan feel that there might be job listings better suited for them out there. Furthermore, more than half of employers feel that they do not receive enough applicants unless they use multiple job sites.

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Indeed PLUS job boards enable job seekers to effectively find the right job from a wider range of options.

And by posting jobs through ATSS linked to Indeed PLUS, employers can reach up to 70% of users at the major job boards in Japan, increasing their chances of receiving more applications from job seekers that better match their needs.

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The last perspective is Matching.

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The algorithm of Indeed PLUS continuously optimizes itself using machine learning based on data from Indeed PLUS which includes job ad distribution, searches and recommendations on job boards, and advertisement budget allocation for employers.

Our group's matching engine, which constantly evolves through machine learning and AI, will make the matching between employers and job seekers faster and easier.

Here, we will explain specific use cases of Indeed PLUS from the perspective of both job seekers and employers.

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First, let me introduce how job seekers are utilizing Indeed PLUS. Since October of last year, we have been testing Indeed PLUS in limited regions.

In these test regions, the number of job listings viewable on Rikunabi NEXT increased after the rollout of Indeed PLUS - leading to a growth rate of job listings that was approximately twice that of areas not participating in the test.

These results indicate that job seekers are now able to access an increasing number of job listings with Indeed PLUS. Therefore, from a job seeker's perspective, they can now select from more job openings than ever before, without changing their job search methods or habits.

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Additionally, Indeed PLUS has AI-driven recommendations that deliver recommended jobs via email based on information from job seekers' resumes and job search activities, and an "Approach" feature that allows employers to send scout emails to job seekers.

With these features, job seekers will encounter a wider variety of listings than ever before and get opportunities to consider jobs they had never previously thought of.

Next, let's look at how employers are utilizing Indeed PLUS.

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A construction company, which was impacted by a serious labor shortage in the construction industry, used to take a long time to find and hire appropriate employees. Even after 4 weeks of advertising on Rikunabi NEXT they only had 6 applications and none of them met the company's hiring criteria.

However, after switching to Indeed PLUS in January, the company received 106 applications and hired two new employees in 4 weeks.

In addition, there have been cases where it used to take two days to decide where to post a job ad and what the posting plan should be. But with Indeed PLUS, the process is automated and the time taken to post a job has been reduced to just a few minutes.

As you can see, Indeed PLUS makes the hiring process faster and easier, and we continue to receive feedback that the matching accuracy has improved with an increase in applications from suitable candidates that lead to hires.

We believe that by increasing collaboration with job boards and ATs other than our own in the future, Indeed PLUS will advance Simplify Hiring in Japan - allowing job seekers to select suitable jobs more quickly and enabling employers to streamline their recruitment processes, among other benefits.

Therefore, in HR Solutions in Matching & Solutions, our efforts to Simplify Hiring in Japan will focus on collaborating with Indeed Japan and promoting the widespread adoption of Indeed PLUS.

Yoshi: As a global leader in the HR matching market, one of our key strategies is to rapidly advance Simplify Hiring.

As we discussed today, we will evolve HR Solutions in Japan through collaboration with Indeed and by leveraging our unique data, machine learning, and AI technology.

As the labor market in Japan is undergoing significant changes, we are committed to matching job seekers and employers more efficiently. By leveraging our diverse service offering, we will not be limited by the constraints of existing recruitment mechanisms, allowing us to help job seekers find suitable jobs and employers to recruit the talent they desire.

This concludes my presentation.

Next, Rob will give you an update on Staffing.

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