

Recruit Holdings

Investor Update FY2023 - Prosper Together

March 29, 2024

Shen: Good afternoon, thank you for joining Recruit Holdings' "Investor Update Day 3, Prosper Together." I am going to be the MC. I'm Shen from IR and PR.

First, our Director and COO, Sena will talk about the third pillar of Recruit's management strategy "Prosper Together" along with the five sustainability commitments that bring the strategy to life and provide visibility into our sustainability governance structure. Then together with the external members of the Sustainability Committee, Honda-san, Aron-san, and Yves-san, we will share highlights from recent committee discussions, provide perspective on future challenges, and provide insight on the governance supporting this strategy.

We will also answer questions from the participants at the end. We will receive questions through Google Forms. Zoom participants can also ask questions live during the Q&A in the second half of the session.

This session will be recorded. The presentation materials that will be projected can be obtained from our website. Now, let's begin with Sena's presentation.

Sena: I am Sena, Ayano Senaha, Director of the Board and COO of Recruit Holdings. Thank you for joining us today. We invited the external members of the Sustainability Committee to explain and also to discuss sustainability efforts at Recruit. But before then, I would like to take this opportunity to explain in brief, what we do in terms of our sustainability efforts.

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Sena: Before we enter into the panel discussion, I would like to explain the third pillar of our management strategy, "Prosper Together", which is about sustainable growth shared by all the stakeholders. At Recruit Group, from the time of the founding of the company back in 1960, we have been trying to address social issues and bring solutions through our business. And then from 2021, at the time of the launch of the new management, as the leader in HR matching, we really wanted to display and also make leverage on the influence that we can cast over the society, and connect that to the sustainable growth of ours by adding the third pillar, "Prosper Together," to our management strategy.

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Sena: For the E pillar, we set a short-term goal to reach carbon neutrality throughout our business activities, and a long-term goal to achieve carbon neutrality across our entire value chain by FY2030.

For our social impact, we set a target to shorten the time it takes to get hired by half by FY2030. We aim to achieve this by making job matching significantly faster. However, job seekers from underrepresented or vulnerable groups face barriers that are difficult to remove through improving matching quality and efficiency alone. This is why we are also committed to helping 30 million job seekers facing barriers get hired by 2030.

We have also set a gender parity goal for ourselves, to achieve 50% women among the Members of the Board and our senior management, management, and employees by FY2030.

Progress on the 5 goals for FY2023 will be reported in May when we announce our Q4 and Fiscal Year 2023 earnings results.

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Sena: I would like to share our sustainability governance structure as well. The Sustainability Committee has been established as one of the advisory bodies to the Board of Directors to discuss the topic of various sustainability challenges in light of social trends, in addition to discussing the progress of the five ESG goals.

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Sena: This is the members of the Sustainability Committee. I am the chair of the committee. From the executives, we have Mr. Idekoba, the CEO, and also the chairman of the board, Mr. Minegishi, the CEOs of the management companies of the three SBUs, and the leaders in charge of promoting each commitment goal, in addition to the three external members, who are joining us today.

It is very gratifying that we are increasingly being cited by institutional investors as one of the leading global companies in sustainability initiatives. This is thanks to the professional advice provided by the external members of the Sustainability Committee, and the challenge and questions that make us think about where we started.

Today, together with our external members of the Sustainability Committee, we would like to share what we discuss to advance our sustainability strategy and strengthen governance, and what will be the challenge in the future. We will also share the atmosphere and reality of the discussion. We would like to answer your questions at the end of this session.

So from here onwards, I would like to introduce the three external members who are participating today and ask them each a brief question.

We would like to start with Aron-san. Aron is the President and CEO of BSR, a nonprofit organization established to promote sustainability in global businesses. BSR is providing consulting services in ESG-related matters. In 2021, he joined the Sustainability Committee as an external member.

To add more details regarding BSR, there are more than 300 member companies, and BSR is providing consultation services to these members. So, from the global perspective, you are very well versed in the rules related to ESG, and I think he is one of the most knowledgeable people in this area. He has been providing us with his advice to Recruit based on his vision and insight.

Thank you for coming all the way to Japan to be with us today.

Aron: It's a pleasure to be here. And I appreciate your kind introduction.

Sena: As an introductory question for the day, from the perspective of an expert who knows the world of sustainability inside out, how do you evaluate our efforts?

Aron: Well, I think Recruit Holdings has done a wonderful job of understanding global trends and sustainability, and also the fast-changing set of disclosure regulations that are being established in many jurisdictions around the world in the sustainability community. That is just one example of how Recruit is bringing in perspectives from outside the business, understanding what is most relevant to Recruit's business today, and also understanding how things are changing and what will be important in the medium term and the long term.

The other thing I would say is that Recruit has done an exemplary job, in focusing on the matters that are most material, most relevant to its business, which I think is a very important factor. Sometimes it gets overlooked, but Recruit does a very good job of staying focused.

Sena: Thank you very much. It gives me confidence to hear that from you.

Okay, I would like to move on to Mr. Yves Serra. Yves-san has been living in Japan for some years, so you're very fluent in Japanese.

Yves: Well, not that much.

Sena: Well, I think you sound very Japanese in that response. So, I would like to introduce Yves-san to you. Yves Sera-san has served as the President and CEO of Georg Fischer, headquartered in Switzerland, and Chairman of the Board since 2020. Since 2020, Yves-san has been on our Sustainability Committee.

Georg Fischer has various business lines, including piping systems used to transport water and other materials. In 2020, in the Wall Street Journal's "Most Sustainable Company Ranking", Georg Fischer became number nine in the world. So it has very advanced ESG initiatives, and Yves-san has been leading that initiative as the management team.

In addition, I believe Europe is the most advanced in terms of sustainability initiatives and regulations, so we receive advice from Yves-san from that perspective as well.

Yves-san, you have been leading Georg Fischer, which is one of the many leading companies in ESG in Europe. Compared to the European companies, how do you assess the sustainability initiatives of Recruit Group?

Yves: Thank you. Well, in my opinion, Recruit is clearly engaged in sustainability activities, but not because there are regulations and laws. You address sustainability in a very proactive way, which I think is very critical. And you are also integrating sustainability into business management in a very good way. You have very well-thought-through goals. For example, halving the time to get hired is a goal that is very much in line with the business model that Recruit has. And because of that, I think the employees are motivated to work towards that goal. As you achieve that goal, you will be able to differentiate yourselves from the competitors, and that may be going to be a major source of increased revenues.

You are able to make the best social contribution and the best economic contributions at the same time. In that sense, you have hit the sweet spot. In Europe, there are many leading companies in the area of sustainability, but there are only very few companies that are able to set these kinds of excellent goals. So I think Recruit is very advanced in that area.

Sena: Thank you, as you mentioned, we want to really contribute to society as we do our business and achieve medium to long-term economic returns. Since we often receive such comments from our external members, we are able to keep reminding ourselves where we started.

Next, I would like to invite Ms. Keiko Honda. She has been a member of the Sustainability Committee since 2020. And since 2022, she has also been serving as the independent director of the Board of our Company. I'm sure many of you are familiar with her. Thank you very much for joining.

Honda: Thank you.

Sena: Honda-san, after working with international financial institutions and McKinsey, became the CEO of MIGA, the Multilateral Investment Guarantee Agency of the World Bank Group. Currently, she is an adjunct professor and senior research scholar on ESG investment at Columbia University. Based on her experience, she has been providing us with advice on how our ESG initiatives can contribute to the enhancement of corporate values, and also how they can be communicated to the external world.

Honda-san, you are the only person among the members of the Sustainability Committee who is also serving on the Board. Can you talk about the discussions that take place in these different bodies of Recruit and their atmosphere?

Honda: Thank you. Well, at the board meeting, and also in the Sustainability Committee meetings, there are two things that I was very surprised about. Number one, the executives and the employees have very high aspirations. And secondly, the discussions are very frank, candid, and very active. I think that is a testament to the fact that diversified perspectives are being respected in the decision making process. You may think that like-minded members make reaching a consensus easier, and maybe more efficient. However, doing so runs the risk of overlooking or neglecting a topic in the discussion.

As regards to having a high aspiration, during the initial phase of the Sustainability Committee, although there are many ways Recruit can contribute to society, I suggested Recruit should prioritize initiatives that largely contribute to enhancing the corporate value. This is very challenging, but you have embraced my view with high aspirations. I am very grateful for that.

Now, Recruit is on a challenge to halve the time to get hired through the “Simplify Hiring” strategy. I know this is a challenging goal, but I think it is excellent that you pursue such a goal as one of your sustainability initiatives.

Sena: Thank you. Speaking of the Sustainability Committee, we are always pressed for time, because our discussion becomes so heated. I am very sorry that I do not do a good job of timekeeping as the chair, but members do not speculate what others are saying in a good way, and tell their opinions straight. Because of that, we can continue having good discussions. Thank you very much for your continued contribution.

Shen: Let us now move into the panel discussions. Sena, over to you.

Sena: As to the panel discussion, the first topic of this session is what we have been discussing so far. We would like to talk about the Sustainability Committee activity itself.

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As a premise, I want to share what kind of agenda has been discussed at the Sustainability Committee. At our Company, we hold Sustainability Committee meetings twice a year. In this fiscal year, we held the first committee meeting in November, and the second just recently in early March.

At each Sustainability Committee meeting, we report on and discuss the progress of our five ESG goals. At the end of this fiscal year, in other words, by the end of this month, it will be three years since we set the five goals, and we discussed the progress we have made thus far. As I mentioned at the beginning of this presentation, we will report on our progress when we announce the 2023 fiscal year financial results in May.

At the committee, in addition to the progress that we have so far made on the five ESG goals, just as mentioned by Aron-san earlier, we discuss global trends in sustainability. This year, sustainability disclosure regulations will come into force. Therefore, we discussed how to respond to these. We also discussed how to proceed on a materiality assessment, as well as how to promote the responsible use of AI, in response to the AI-related regulations that are moving ahead in Europe.

With that being said, let us get on with the discussion. Looking back on this year's discussion that we had at the committee level, is there any agenda particularly memorable? What questions or comments did you share?

Can we get started with Yves-san?

Yves: Well, as an impression, Recruit is really acting as “one” when it comes to this sustainability topic. You are fully committed. This may be because all your goals are very much aligned with the purpose, and they are really, truly motivating all the employees.

The second thing is that the discussion is very open. Back in November of last year, we discussed the goal to help 30 million people who are facing barriers to getting a job. I mentioned that, for Recruit to make a positive contribution to the globe, you need to incorporate the refugees category into such an effort.

After that, in the March committee of this year, you were already prepared to think about incorporating this category of refugees as part of the goal of helping 30 million job seekers facing barriers. So, being an external member of the Sustainability Committee, I am truly grateful that you do pay a lot of respect to our opinions.

Sena: Thank you too. We talked about how we can go about supporting refugees at two committees ago. Based on your and other committee members' feedback, since we have already been taking several initiatives for refugees, we discussed how to incorporate the topic into our goal to help 30 million job seekers facing barriers.

For example, at our group company in Germany, we have an organization that works on international recruitment, including refugee recruitment. Of course, there are some language barriers. Therefore, our staff in Germany make use of devices to help with the translation. The team does not just support refugees in matching with jobs, but also it supports refugees to fit into the workplace after they start to work. There are a lot of other initiatives going on in different SBUs to help refugees, and we plan to continue the efforts. Therefore, it is great that we receive these kinds of feedback and opinions from the external members at the committee level and continue our discussions over these topics. It was truly valuable for us. Thank you, Yves-san.

Next is Aron-san.

Please share your most memorable moments from this year's Sustainability Committee discussions.

Aron: Yes, and I have had the privilege of serving for three years. I would say, overall, that Recruit does a very good job of bringing data forward in soliciting real opinions. And therefore the discussions I believe, have a great deal of integrity. In this year's series of meetings, we did focus on the climate objective. And of course, Recruit is not a heavy manufacturing company. But the company has taken on the important task for every company everywhere in the world of reducing emissions, including scope three by aiming for carbon neutrality. So this is a Paris-aligned goal. This takes on scope three. And it's an illustration of the ambition that I think is present.

One of the things that we discussed this year, that I found to be particularly important, is the role of carbon credits. Carbon credits are used by many companies. And there are serious questions about the availability, the ultimate cost, and ultimately, the integrity of carbon credits. And so this was a very, very important topic because the ultimate goal should be absolute emissions reductions, transcending, ultimately, the need for carbon credits. And that's a conversation that we had over the course of our meetings in the most recent series.

Sena: Thank you. As you mentioned, I think we all discussed and agreed that actual reduction is much, much more important than utilizing carbon credits. We will keep having that discussion going forward. Anything else?

Aron: Well, we also spend time on ESG ratings and rankings. And if you track the performance of Recruit over the last several years, the trajectory is up, and it's very impressive. We know that this has been an area of focus. Of course, having high ratings is very good, and Recruit can take pride whether it is MSCI or Sustainalytics or others, in an overall increase in ratings, focusing on a wide range of ratings and rankings. So no cherry picking no selecting only certain ones, but looking at things comprehensively, which is very important.

Engaging the entire organization and delivering information is an underrated aspect of the ratings and rankings. Because this is a mechanism for having the entire company involved in the sustainability journey and sustainability objectives. And so this is a way that the ratings and rankings are also very important in terms of internal process.

But at the end of the day, a good score is a little like education. Good grades are great, but the learning is the most important thing. And I think the progress that the ratings reflect for Recruit is something that I think is a very good signal.

Sena: Thank you.

Finally, Honda-san. I have a question for you. What has impressed you in the committee meeting discussions?

Honda: Well, for me, I have four points that I admire about the sustainability initiatives of Recruit. One is that you have quantitative targets. Number two is, many companies do have quantitative targets, but you also have deadlines for those targets. Number three, as Yves-san and Aron-san said, you very closely monitor the progress. And generally speaking, you are making progress. But, you know, there is variability in the progress. And you do monitor it and report it to us, honestly. And finally, you disclose it, not only to us, members of the committee, but also to the investors.

As Sena-san just mentioned, during this year's Sustainability Committee meetings, we did look back on the past three years since we set these sustainability goals. And as I said earlier, the progress varies. I mean, for all five goals, you have made progress, which is an impressive thing. I have a very positive view, about the coming disclosure. I think everybody will enjoy it.

Sena: Thank you for these positive comments. But I want to be honest here. For example, last year, in July, we had an ESG Fireside Chat. And there were some delays in some of the goals. And we were very open and revealed what was causing that delay in making progress. After that, some of the institutional investors made comments like, "Because you have very lofty ideals, there are some challenges that you face. However, you are very honest not just about what went successful but also about the challenges that you're facing. So, it makes me feel that your initiative is real and down to earth." And, I was very pleased to hear that kind of comment.

We have some very aspirational and aggressive goals. Sometimes we cannot make the progress that we would like to make, but we want to prosper together, that "together" part is very important. I would be very grateful if you, including capital market participants, would monitor what we do along and cheer us up if you see areas where we have not been able to progress much.

Honda: Yes. So, you know, progress is not the same across the goals. Some made good progress, while others had some progress but maybe more room to progress in the future.

One more thing we talked about in the committee is that, compared to three years ago, the understanding and concepts of sustainability are much different in society. So, among the goals that you set three years ago, there may be some that contribute to society but Recruit may not have to pursue them. For example, the emissions of greenhouse gases, as Aron-san mentioned, it is not really that relevant. However, gender parity is more relevant to your business and because of that it is very important that you make progress in this goal. As you go along, there may be some challenges that you have to think about how to overcome. The fact that you can use those experiences to the support you are providing to the employment and hiring of your clients, is great. I have high expectations of your progress.

As a side note, I am, you know, rather a senior. So, I know that, even before the Equal Opportunity Act was enacted in Japan, Recruit employed women who graduated from universities or from regional areas. While Sena, yourself, also became a COO when you were still young, there was also a woman CEO before at Recruit. I am sure you have had a lot of hardships. But at the same time, your experience and your learning on how to overcome these problems can be leveraged to achieve the goal that is tied to your core business. And I think that experience can contribute not just to your company, but to Japan and also the world.

Sena: Thank you very much. We talked about this all the time. But we want to contribute to society, while we also enhance our core business and make profits. We always talk about it in the Sustainability Committee meetings and during other opportunities. Thank you very much.

Now, I like to move on to the next question. In the first question, we talked about the agenda of the Sustainable Committee meeting this year. So for the second question, we want to talk about the future. What will be the important topics in terms of ESG and sustainability in the future for Recruit Group?

Can I start with you, Honda-san?

Honda: Sustainability can have different definitions. Actually, there is no globally standardized definition of sustainability. Therefore, each company has its definition of sustainability. While they do that, companies often talk from the perspective of how they can contribute to society. But I want Recruit to think one step ahead of that.

As Sena-san was saying, and I have been repeating myself, among the initiatives you can take, I want Recruit to focus on initiatives that connect to the core business and that can enhance the corporate value of the Company. When I think about what part of Recruit I like, I conclude that it is the goal to “halve the time to get hired.”

If you are not working for three months, it would be very difficult to make a living. And some may go below the poverty line. In addition, from the employer’s point of view, there is a shortage of workforce, which is a big issue in Japan and also globally. For example in Korea, China, Italy, Germany, Spain, or Portugal, the population is decreasing. So there is a huge issue of labor shortage. Because of labor shortage, there is a case that companies cannot do business. In other words, there is a loss of opportunity to make a profit. If you can break through that, then it will be beneficial to Japan, and all the industrialized countries and developing countries.

Sena: Thank you. About halving the time to get hired. That topic is something that I talked about in the Fireside Chat last July. Actually, this is the kind of data that nobody has ever gathered before. And we are still, trying to overcome some of the challenges associated with measuring data in this area. Halving the time to get hired means the matching efficiency is twice as good. We hope that we can also double the opportunities for monetizing, which is one of the motivations for setting this goal. However, even after three years, we have not been able to measure this accurately yet, I’m afraid. But we are making some progress, little by little. In May, we will provide you with an update. So please look forward to that.

Next, I would like to ask Aron-san the same question.

What do you think will be very important for us for the company in the future among the numerous sustainability themes?

Aron: Yes, I think that the rise of regulation on sustainability is one of the most important developments in this aspect of business for a very, very long time. And so this is something that is going to take some years to work

its way through the system. For Recruit to be ahead to understand and be ahead of the regulations, and to be prepared, you spoke about verifying information to be ready for a world where that is going to be more important. And quite frankly, you know, in our network, we have three over 300 member companies, and many of them are either a little behind, or maybe taking a very narrow compliance-oriented approach.

Now, of course, compliance is important. But I would say it is necessary but not sufficient. And so I think Recruit is already and I believe, will continue to think not only about the letter of the law, whether it is what is required by the Japan securities agency or European regulations in the CSRD, the landscape is changing. And to think about the spirit of the laws, and think about how working within these regulations can actually strengthen your ambition, and help inform your strategy.

Sena: Thank you, I think that that point is critically important. So yes, we do need to comply. But also, we do need to understand the intent behind the establishment of the regulations so that we can act appropriately as a corporate citizen, so thank you, for that point. Anything else?

Aron: Well, I think we may want to talk about AI and the intersection of human rights and artificial intelligence. This is something that is already on the agenda of the Sustainability Committee of the Company, and clearly, it is relevant to Indeed's business. It creates opportunities to deliver better products, to help more people, and to help more employers. How that is done, however, is crucially important.

Sena: Thank you for the other topic, too. I think we have unique datasets, especially at Indeed, we operate in over 60 countries. We have data from job seekers, and also employers, and we use them to better match job seekers with jobs. But I think because we utilize those data more and more, we do need to make sure that we use AI responsibly. So I think that's something that we keep having open dialogues with many stakeholders.

Yves-san, do you have any kinds of topics that we need to be mindful of in the future?

Yves: So I think there are two topics that we need to be mindful of when thinking about the future of Recruit. Recruit has set wonderful sustainability goals. While the Company will continue to do its best to achieve this, it has to think about how to monetize through the initiatives as well. And the second is how to respond to the increasingly stringent sustainability disclosure rules, as well as regulations. I really want you to be good at responding to these two topics.

Sena: Thank you. As a matter of fact, the topics of AI, and the regulatory landscape changes are mentioned as important topics to think about for Recruit in the future at the Sustainability Committee, as well as today. It is important to clarify what to prioritize and put energy and time on. So I want to continue this discussion on how to make social impact while also contributing to our business and advancing the products, while we grow our business in the medium to long term. I like to ask more questions to the three of you, but I think time is running up very fast. Therefore, at this point, we would like to move on to a Q&A session and take questions from the participants.

Shen: We would like to take questions from the floor now. You can send your questions through Google Forms, as well as raise your hands if you are joining through Zoom. For those participating through Zoom, please raise your hand.

Since we have already received a lot of questions through Google Forms, let us answer them first.

Responsible AI use is becoming a hot topic, and Europe has resolved to implement an AI Act. Aron mentioned earlier that this topic was also discussed at your Sustainability Committee meetings. How are you responding to this in terms of policy and structure as Recruit Group?

Sena: Thank you for the question. Well, since AI is machine learning using the data of the society we reside in as teaching data, there is always a debate that AI may amplify the bias that exists in society. This is something that we need to take seriously, and this has been discussed as one of the very important topics at the Sustainability Committee and the Risk Management Committee. And that is where we stand right now.

And this is quite a unique theme because it is very rare that we discuss the same topic on two different committees. And just as it has been mentioned by the questioner, EU's AI Act is going to be enforced, which becomes a hard law, and in fact, regularization is advancing really fast. On the contrary, because technology is advancing much faster, only complying with the rules will not be sufficient. It means that we have to discuss this topic carefully, and from multi-perspectives. That is why we discuss AI at the Risk Management Committee as well as the Sustainability Committee, and based on the result, then we take it to the Board of Directors meeting for further discussion. These are the steps that we are currently taking.

Now going into the specificity of the activities, since we are asked about our policy and structure, we have a human rights policy. Based on this human rights policy, for example, Indeed creates its own AI principle. Also, in July, Recruit Co., Ltd. implemented Recruit's AI operation policy as well. Having set AI-related principles and policies that are relevant to each of the businesses is what we made many advancements this fiscal year.

Now, going into further detail, which is about what we are doing with the product and services. Before the product or services get released, we would do a bias assessment to self-check if we are being biased or not. After the product is released, we conduct fairness monitoring through human eyes to check if a product or service is generating any unfair decisions. We check from data to output to make sure there is no problem with it.

Now that this topic was raised, I would like to share something that came to our joy. So the question intends to ask how to avoid the risk of amplifying bias through the use of AI. However, we are seeing signs that AI may be less biased compared to humans. As with other product developments, we are conducting various tests with AI as well. In the case of the placement business we have in Japan, we found that AI was less biased than humans when matching job seekers with jobs. The case where we found less bias this time was in terms of the age of job seekers.

In conjunction with this responsible way of making use of AI, in fact, we may be able to lessen the bias as a result of using AI. This was a very positive sign. It is important for us to continue studying this through trial and error. This is a theme that we want to continue learning through exploration. Since we received some comments from Aron about Responsible AI during the committee, are you kind enough to share your comments?

Aron: Sure. And I think what you just said was very important. The learning process. Because AI is changing so rapidly, as you say, changing faster than regulation can possibly keep up, testing and learning, which you just described, is very important. What I would say is that for Recruit, as for any company, it is important to think about an approach that involves three different elements. Number one is, what can you do as an individual company, which you just described, and I am sure this will be an ongoing topic of discussion with your investors.

The second is, what are the industry ecosystems like? Because every company has an interest in seeing the technologies advance in making sure that there is societal support for innovation. And I believe that industry understanding will be very important. This is not an area that has to be subject to competition, and other companies will also have an interest in seeing guidelines and principles established.

And then the third is being an active participant in public policy setting, because governments may not have the same understanding of the technology that the developers of the technologies do. So business has an

important role to play, in terms of how a common set of societal expectations, and principles and guidelines that are flexible, will be established. That is the roadmap in my opinion, and one that Recruit can contribute to.

Sena: Thank you, especially for the second point. Thank you.

Shen: Thank you very much. Next, is from Google Forms as well. The next question is about the Board.

In the Board of Directors and each committee, are the independent directors and external members able to speak up and contribute? And since there are many former executives and current executives, is there any risk that they get too focused on the execution and not serve as an oversight function? What contributions are the independent Director and external members making to increase corporate value?

Sena: That is a very interesting question. Thank you very much. First of all, on the contrary, because they are people who are experienced in business and corporate management in other companies, they can give advice and criticisms that are meaningful for us.

Honda-san talked about the diversity of the views in the Board. So, why should we have diversity in the Board? It is important because diversity in attributes connects to diverse opinions. We talked about gender and age diversity, but diversity in nationalities is also important.

Another thing is that we do not talk about this too much externally, but we place a lot of value on the advisory committees of the Board. We have members of the Sustainability Committee here with us today, but for example, for our Nomination Committee, the chairperson is an independent board member Izumiya-san, and also in our Compensation Committee, the chair is Totoki-san from Sony. The chairs of these committees are independent directors while the majority of members of these committees are also independent directors, which means the executives are on the minority side. We do this on purpose. Therefore, to answer the question of whether they can serve as an oversight function, they are very, very strict in their oversight. From an executive perspective, they have their eyes very wide open, to monitor us and oversee us. Since we have Honda-san here with us today, I would like to hear your honest opinions from an Independent Director's perspective.

Honda: There are two big differences between Recruit's Board of Directors and major companies in Japan. Firstly, there are not many CPAs or lawyers among the Board members as with other companies. And secondly, both the executive and independent Board members are diverse. For both executive and independent Directors, gender, and nationalities are diverse. Also, age is relatively varied. For some of the major companies listed in prime TSA, it is common that their directors' ages range from their 60s, 70s, to 80s. But in Recruit there are Directors in their 40s, who were in their 30s until recently but matured and became in their 40s, and the most senior Director is in their 70s. And also the educational background is very different. So, Recruit does not have like-minded members. There has to be a lot of discussion before they come to a decision. Therefore, I think it is really hard, especially for the administration side, from translation to the time-keeping of the agenda. But there are a lot of heated discussions going on with candid opinions which I believe investors would feel assured to hear.

Sena: Thank you. This applies to the Board of Directors meetings and also internal management discussions and all other meeting bodies, but because there is a diversity in opinions, the discussions can go everywhere when our opinions do not agree, and that is probably the cost of being diverse. I believe that the increased cost of communication means the cost of diversity. There may be different opinions, but if we discuss enough and come to a decision, we decide to do what is decided together. We call this "disagree but commit." There may be a lot of different views, but once we make a decision, we support it all together. I believe to be able to do this even at the Board level is an important point, or our secret source. That is what I thought by listening to Honda-san's comment.

Shen: We would like to take one more question from Google Forms.

Indeed's Pay per Application (PPA) has been terminated. PPA was introduced as an initiative that contributes to your social impact target, halving the time it takes to get hired. Will this have an impact on you achieving your goal?

Sena: Well, such a good question. I believe you read many of our disclosures in depth. Thank you for your interest.

Some people may not know about PPA, so to give you an overview, at Indeed, we are aspiring to a world where you can find a job or hire a candidate with a single click. We also talked about this in Simplify Hiring, but as one of our initiatives to shorten the hiring process, we were testing a model where you pay for each application, which we called PPA. The test result was pretty positive, and this was why we expanded the scope of the test. But how PPA was utilized, unfortunately, was not what we expected, and therefore we finished our service. That is the background.

As it was pay per application, for those customers who used the service, the time did get shorter, which was supposed to contribute towards our sustainability commitments. Are there no issues with ending its service, is I believe was your question.

We conduct about 500 A/B tests all the time. PPA was one of these 500, and it was one of the major tests. However, unfortunately, there are some tests that do not go well. PPA did not proceed in line with our expectations. That is why we terminated the service.

We will continue to evolve our product and services by conducting many tests. We will pick those that yielded good results through trial and error to conduct a larger test. We think that will be the best way to evolve our products, so at some point in the future, we will be able to share the outcome of these tests. So please look forward to it. And that is all I can share at this point.

Shen: We would like to take questions from the Zoom participants. Because of translation, please speak in Japanese if you are joining from the Japanese line, and English if you are joining from the English line, and do not change the language while you speak.

I would like to start with Oumi-san from JP Morgan Asset Management.

Oumi: Thank you for giving me the opportunity, I have two questions to ask. So you mentioned that sustainability initiatives are incorporated into your management strategy to enhance corporate value, and you are working on it sincerely. Do you think there are any other things you can do to accelerate this effort and enhance the corporate value? I would like to ask this to Yves-san especially.

And the second question is, and this is a question that I would like to ask Honda-san. So I know that you have become a committee member as an outside expert. But now that you have joined the Board as an independent director. Is there any discovery or any advice that you have provided for Recruit to realize the sustainability commitment by joining the Board as a result?

Sena: Thank you very much for asking the question. I was instructed by my staff to answer or respond to the question by myself first, but since you specifically mentioned who you would like to hear the answer from, I will let them answer directly. The first question is directed to Yves-san.

Yves: From my point of view, Recruit already has wonderful goals. So realizing them is the best method. In other words, if you realize the goal, economic contribution will follow. Economic contribution means higher sales and income. So it is important to concentrate on this as the Company as a whole.

Sena: The second question was directed to Honda-san. Did you have any discoveries by joining the Board that contributed to making advice to the Committee?

Honda: I originally had an expertise in company's value assessment. I joined the World Bank as an expert on that subject and gradually expanded my specialty to sustainability. So when I joined the Sustainability Committee, as I said earlier, what Recruit thought important and set targets within the framework of sustainability, I thought not all of them were material factors, if I use the terms institutional investors often use. Some are material, while others are not. Therefore, finding what the material factors are, how we should connect them to enhance corporate value, and how we set that as a management priority is what I did in this past 1-2 years on the Board with the Sustainability Committee members. That is what I think, but I want to hear what Sena-san is thinking as well.

Oumi: Yes, please.

Sena: I believe you are asking what I learned or realized through independent directors and external members of the Sustainability Committee. Well, we are always asked how we connect our sustainability targets and the business and make a profit at every meeting. When we set our five commitments, we knew that there are some companies that just do what is good for society, and there are also some companies that only focus on business that makes a profit. To be able to be regarded and supported by people as a company whose growth will yield good results for society, meaning contributing to society while at the same time making money, is very tough. But because it is tough, it is worth challenging. That is why we set our goals at the center of our business.

We are not able to provide the measurement yet, and we do get opinions on that. But because it is so difficult, we think this target is worth spending 10 years to address and achieve. So I think the strongest value we receive from the external members of the committee is to be constantly questioned on what we can do to contribute to society and make everybody happy through our core business. We receive this kind of question all the time during the committee meetings. Because of that, we are always reminded of where we started. It sounds basic, but it is the most important part.

Honda: I would like to add a few words because this is important. Although Sena-san has been talking modestly, from a neutral standpoint, I think Recruit has made good progress measuring the time to get hired. In addition, not just the sustainability division or headquarters, the actual operating company spends a lot of time to realize these goals. My impression is that more and more people from business units have come to realize the importance of it and are eager to work together.

Sena: Thank you very much.

Oumi: Thank you very much.

Shen: Thank you very much. We are receiving more questions from Google and Zoom, but...

Sena: Sorry, we are running out of time like we do in the Committee meetings.

Shen: Since we are running out of time, Sena-san, could you wrap up?

Sena: Yes, actually, it's past the allocated time, but we would like to receive a final message from each speaker. Can I start with Aron-san?

Aron: I will be very brief. Recruit will, I believe, stay ambitious, stay humble, and stay focused on business relevance.

Sena: Yves-san, can we get a message from you next?

Yves: In a short period, Recruit successfully integrated the sustainability goals into the management goals, and mobilized the entire company to realize them. So congratulations on that. I want you to continue this journey going forward.

Sena: Thank you. Last but not least, Honda-san.

Honda: Employment is important in terms of getting income. But it is also important for people to live and realize their dreams. Recruit is rare for being a company that such social factor can positively impact the corporate value. This is why I have great expectations for Recruit.

Sena: Thank you. So the time is over. One hour went by really fast.

Shen: That concludes our three-day Investor Update event. Thank you so much for joining us.

[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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